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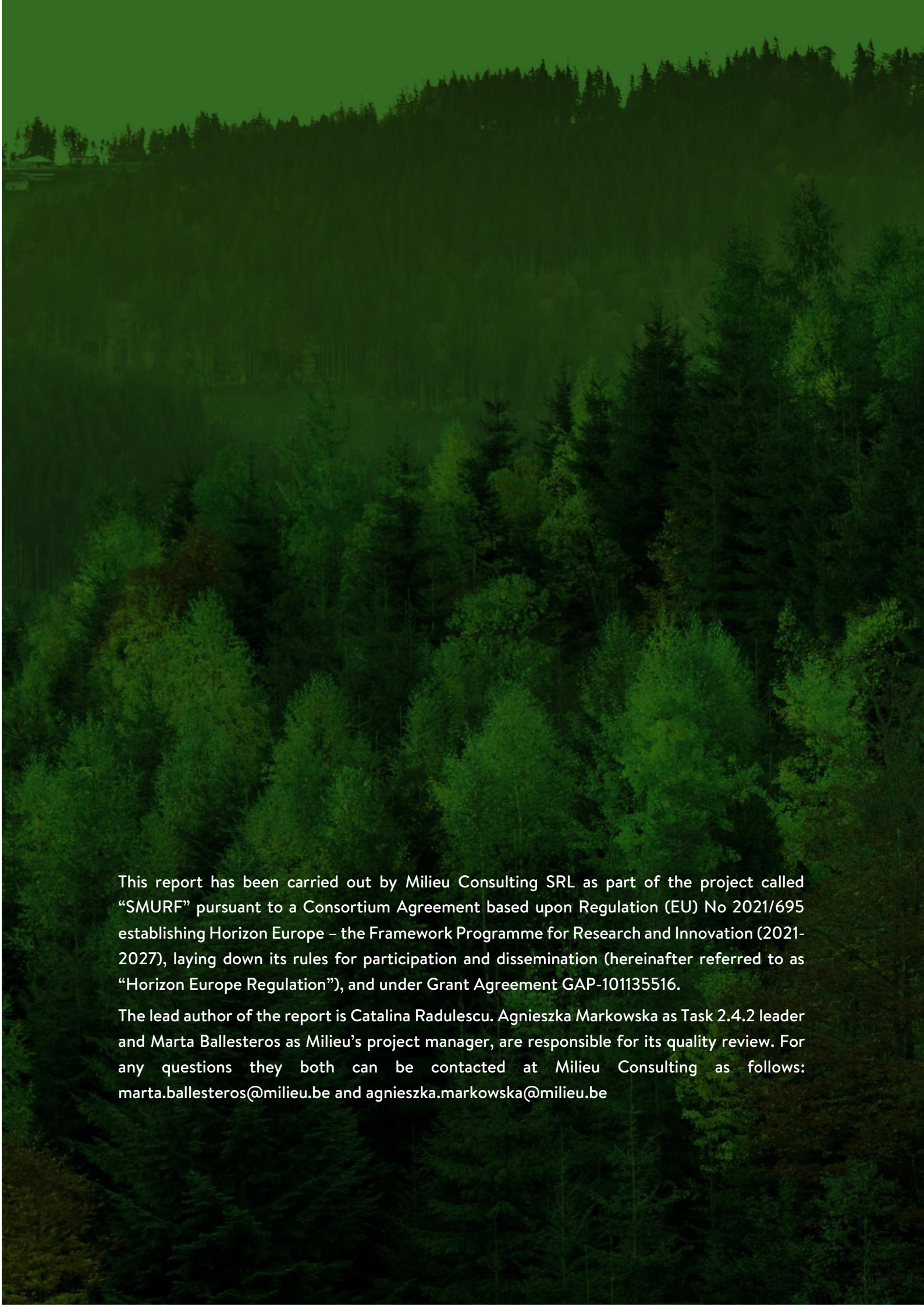
Financial incentives applicable to Small Forest Holdings and their impacts

Country Fact Sheet
Romania

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Table of Contents

Executive Summary 4
1. Financial incentives based on EU funding 6
1.1. The European Regional Development Fund 6
1.2. Common Agricultural Policy (CAP) 7
Impact and Relevance for SFHs (author's conclusions) 8
Eligibility criteria 8
Type of financial support: 9
BUDGET 9
1.3. LIFE and Horizon Europe 11
2. Financial incentives based on MS funding 12
2.1. State aid 12
Scope of the Scheme 12
Key Developments Across the Three Orders 13
Key Technical and Legal Improvements 13
Legal Basis & Context 14
OBJECTIVE AND SCOPE (Article 1 of OUG No. 35/2022) 14
Financial Mechanism and Subsidies 14
Objectives of the Scheme 16
Financial Details 16
Eligibility Criteria for Forest Landowners 16
Eligible Costs 16
Implementation Timeline 16
2.2. Taxes and tax exemptions, subsidies 17
Financial Support and Subsidies: 17
Key Taxes 18
2.3. Funding provided by regional and local authorities 20
2.4. Funding provided by foundations, business associations, educational or other institutions 20
Wyss Foundation & Foundation Conservation Carpathia 20
HS Timber Group – Tomorrow's Forest Foundation 21
Tomorrow's Forest Foundation – Afforestation Funding 22
European Investment Bank (EIB) – Romania Forest Regeneration Project 22
BRD Forest Fund (BRD Société Générale) 23
2.5. Innovative funding sources 24
2.6. Other funding sources 25

Financial incentives applicable to Small Forest Holdings

WP2, Task 2.4.2

Executive Summary

EU-funded instruments are significant drivers of forest-related incentives in Romania. The European Regional Development Fund (ERDF), particularly through the Sustainable Development Programme (PODD), provides substantial support for biodiversity conservation, ecosystem restoration, and urban greening. Although not tailored specifically to SFHs, these programmes are accessible to them via public-private partnerships and collaborative initiatives. Complementing this, the Common Agricultural Policy (CAP) for 2023–2027, operationalised via Romania's National Strategic Plan, embeds forestry incentives within both direct payments and rural development measures. Notable schemes include the eco-scheme for tree planting, non-productive investment supports, and afforestation continuation payments, with particular relevance for SFHs engaged in land rehabilitation or sustainable agroforestry.

Intervention DR-08 (afforestation) and DR-07 (forest-environment and climate services) exemplify CAP-financed incentives designed to foster long-term forest resilience and climate adaptation. These provide multi-year compensatory payments and prioritise practices such as reduced harvesting, animal traction, and biodiversity preservation. SFHs can access these funds individually or by forming associations to meet minimum area thresholds. The afforestation measures also bridge past and present programming periods, ensuring continuity of support for earlier commitments under previous CAP rounds.

At the national level, Romania has developed robust state aid schemes under its National Recovery and Resilience Plan (NRRP). Grounded in Emergency Ordinance No. 35/2022 and amended through successive ministerial orders, these measures support afforestation, reforestation, forest maintenance, and income loss compensation for both public and private landowners. A key innovation is the "forest sequestration premium" – a 20-year carbon-based payment rewarding afforestation efforts with €640 per hectare annually, thereby operationalising payments for ecosystem services (PES) and aligning domestic policy with EU Green Deal objectives.

Complementary financial mechanisms include direct subsidies, tax exemptions, and deductions codified in Romania's Fiscal Code and Forestry Code. SFHs benefit from exemptions related to land management costs and timber taxation, provided they comply with forest conservation requirements. Administrative challenges remain, however, particularly concerning registration obligations and the complexity of accessing support.

At the regional/local level, no examples of funding provided by regional agencies or local authorities were found.

Private and non-governmental actors play an increasingly important role in supplementing public incentives. Foundations such as Conservation Carpathia and Tomorrow's Forest provide

grants and technical support for afforestation, biodiversity monitoring, and community engagement. The European Investment Bank and corporate initiatives like BRD's Forest Fund further demonstrate a growing interest in forestry as a vehicle for environmental and social impact investment.

Innovative instruments such as carbon credits and green bonds remain nascent but show future potential. The "forest sequestration premium" serves as the first national PES scheme operationalised under Romanian legislation.

In summary, Romania has developed a relatively comprehensive incentive landscape for SFHs.

1. Financial incentives based on EU funding

1.1. The European Regional Development Fund

The **European Regional Development Fund (ERDF)** plays a key role in funding biodiversity, afforestation, and ecosystem restoration projects in Romania through **regional and national programmes.** Although not all programmes are targeted explicitly at small forest holders (SFHs), several **financial incentives exist** that SFHs can benefit from indirectly, especially in projects promoting biodiversity, climate action, and urban greening.

The are several ERDF-funded programmes, but the main one that may be relevant to forestry and ecosystem services in Romania is the Sustainable Development Programme (PODD).

1. Sustainable Development Programme (PODD) – 2021–2027[1]

- **Managed by**: Ministry of Investments and European Projects (via former POIM Managing Authority).
- **Target actions**:
    - Conservation of **Natura 2000 sites**
    - Restoration of **degraded ecosystems** (e.g., afforestation, ecological corridors).
- **Total Budget**

- Allocation from the European Union – 4,04 billion euros;
- State budget allocation – 1,2 billion euros;

Total – 5,2 billion euros.

The following priority may be relevant for the forestry sector: **Priority 2 Environmental protection by conserving biodiversity, ensuring air quality and remediating contaminated sites**[2]

- **Budget** broken down by funding sources: 170 million euros ERDF; 30 million euros national contribution;
- **Specific objectives:** Intensification of actions to protect and conserve nature, biodiversity and green infrastructure, including in urban areas, as well as reducing all forms of pollution
- **Eligible beneficiaries** for degraded ecosystems and services provided outside protected natural areas: Administrators appointed under the terms of the law and/or owners of the land surfaces that constitute a degraded ecosystem in public ownership, as well as universities, forest managers, NGOs[3].

A consulted forestry association[4] affirmed that under the PODD Programme – Natura 2000, financial incentives are paid directly to the National Park organisations. Consequently, forest owners receive no direct compensation and are subject only to restrictions. Owners of more

[1] https://oportunitati-ue.gov.ro/en/program/programul-dezvoltare-durabila/
[2] Sustainable Development Program - EU funding opportunities
[3] https://oportunitati-ue.gov.ro/program/programul-dezvoltare-durabila/#beneficiar-domeniu
[4] Consultations with forestry associations from Romania took place in September 2025. Their input has been addressed and included within this report.

than 30 hectares must also pay a protection and guarding tax to the forest administrator. A small subsidy – equivalent to four cubic metres of wood per hectare – is available only if they apply for it and maintain an up-to-date 10- or 20-year forest inventory, the cost of which is considerable.

1.2. Common Agricultural Policy (CAP)

Romania implements the **Common Agricultural Policy (CAP)**[5] for 2023–2027 through a **National Strategic Plan (PNS)**, which includes measures relevant to agroforestry, tree planting, and biodiversity. This support comes from both:

- European Agricultural Guarantee Fund (EAGF) – direct payments and eco-schemes
- European Agricultural Fund for Rural Development (EAFRD) – rural development and non-productive investments

This funding structure continues the priorities from the 2014–2020 period, when CAP was implemented through the Rural Development Programme (PNDR).

Key CAP Measures Relevant to Forestry and Small Forest Holders (SFHs)

1. Eco-scheme: Tree planting (EAGF)

- **Support measure**: Farmers are encouraged to plant **2 trees/ha/year.**
- **Type of support: Direct compensatory payments** for environmental services.
- **Target group**: Includes **small farms** and **traditional households**, who voluntarily undertake eco-friendly practices.
- **Eligibility**: Active farmers with eligible agricultural land.

2. Non-productive investments (EAFRD)

- **Use case**: Creation of **natural protective curtains for crops** (e.g. tree belts).
- **Goals**: Improve **climate resilience**, **biodiversity**, and **ecosystem services.**
- **Eligibility**: Farmers (legal persons), especially those engaging in **sustainable land use** practices.

3. Continued support for afforestation commitments (EAFRD)

- Financial support for:
  - Maintenance and care of previously afforested areas
  - Projects from the **PNDR 2014–2020** and **2007–2013** funding periods
  - Strategic Plan: Planul Național Strategic 2023-2027 (PNS) al României - APIA
- Managed through periodic calls launched by **APIA** (Agency for Payments and Intervention in Agriculture). Selection results for afforestation projects: APIA – Măsuri delegate din PNDR

[5] https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/romania_en

1. **Intervention DR-08 of the current CAP Plan – Afforestation: maintenance and care of afforested areas, connected to Sub-measure 8.1 – First Afforestation and Creation of Wooded Areas of PNDR 2014–2020**

Although the funding was under a previous CAP period, **maintenance and compensation obligations continue** under transitional rules, ensuring medium-term impact.

- Funded by the **European Agricultural Fund for Rural Development (EAFRD)**
- Continuation of support for **areas already afforested** under PNDR 2014–2020 (e.g., Submăsura 8.1)[6]
- Provides **annual maintenance payments** for 6 years to maintain and care for young forests
- Aims to **increase forest resilience**, biodiversity, and reduce climate vulnerability

Impact and Relevance for SFHs (author's conclusions)

Although the CAP support is mainly directed at **farmers**, SFHs can benefit from:

- Participation in agroforestry or protective planting initiatives.
- Integration of afforested land into larger sustainable land management projects.
- Partnerships with local governments or cooperatives applying for eco-scheme support.

This measure was part of the **PNDR 2014–2020**[7] (Submăsura 8.1), and it remains relevant in ongoing forestry policy under the Strategic Plan 2023 – 2027 (through Intervention DR-08), due to its continued impact and transitional financing[8].

Objective: To increase forest cover and contribute to climate change mitigation and adaptation by supporting afforestation and reforestation on agricultural and non-agricultural land.

Eligibility criteria

- The land must be suitable for afforestation (based on national forest typology)
  - Beneficiaries must commit to maintaining the plantation for at least 12 years
  - Long-term forestry use must be ensured
- Types of eligible land
  - Agricultural land (arable, pasture, meadows)
  - Degraded or unproductive land
  - Land belonging to public or private ownership, including local authorities
- The scheme was open to **private and public beneficiaries**, including:
  - Private individuals,
  - Legal entities,

[6] ORDIN (A) 857 19/07/2016 - Portal Legislativ
[7] Măsuri delegate din PNDR (2014 - 2020) - APIA
[8] ORDIN (A) 857 19/07/2016 - Portal Legislativ

- Local authorities,
- Associations (e.g. communal landholders).

- **Eligible activities** included:
  - Soil preparation,
  - Planting of forest species (including native ones), n
  - Maintenance for a minimum of **6 years**,
  - Compensation for income loss due to land-use change.

Type of financial support:

- **Non-reimbursable public funding**, 100% for eligible costs.
- Payments were structured in **three components**:
  1. **Afforestation premium** (one-time),
  2. **Maintenance premium** (annual, for 6 years),
  3. **Compensation for income loss** (annual, for 12 years for agricultural land afforested).
- **Sub-measure 8.1** is one of the **most relevant for SFHs** owning or managing marginal agricultural lands.
- SFHs benefited from:
  - High rate of cost coverage (100% of eligible costs),
  - Long-term maintenance and income support,
  - Technical guidance via local APIA offices.

BUDGET

- Total value of the PNDR 2014 – 2020 and the Strategic Plan 2023 – 2027 is 15.762.236 eur, 13110.160 eur from EAFRD and 2.652.076 eur national contribution.
  - The Strategic Plan 2023 – 2027 financial allocation for **Intervention DR-08 – Afforestation: maintenance and care of afforested areas** is 3.000.000 eur per year, 2.550.000 eur EAFRD and 450.000 eur national contribution

2. **DR-07 'Silvo-Environment and Clima'**[9]

Intervention DR-07 from Romania's CAP Strategic Plan 2023–2027 provides direct support to forest owners through a package of compensatory payments for forest-environment and

[9] https://apia.org.ro/planul-national-strategic-2023-2027-pns-al-romaniei/interventii-implementate-din-pns/silvo-mediu-si-clima-dr-07/,
Orde 115/2024 on the approval of the state aid scheme 'Silvo environment and climate', https://legislatie.just.ro/Public/DetaliiDocumentAfis/280683

conservation commitments, aimed at encouraging sustainable forest management and protecting biodiversity.

- Financial compensation for income loss and additional costs

Forest owners who voluntarily commit to environmentally friendly practices (e.g. limiting logging, preserving quiet zones, using animal traction) receive annual compensatory payments to cover:

- Income losses due to harvesting restrictions
- Additional costs incurred by applying traditional or ecological methods

- Multiannual commitments (5 years)

The measure involves binding commitments for a period of five years, until 2029, thus providing financial predictability and encouraging long-term sustainable planning.

- Flexible measure packages

Several packages are available, each focused on a specific practice:

- Quiet zones: no harvesting allowed in at least 20% of the area
- Animal traction: use of animal-drawn equipment for forest maintenance (only in combination with quiet zones)
-

- Extended eligibility through associations

Small forest owners can form owner groups or associations to meet the minimum threshold of 100 ha required to access the scheme, thereby increasing accessibility[10].

- Full public funding (100%)

For areas up to 500 ha, the support is fully non-reimbursable (100%). For larger areas, the funding rate decreases progressively (down to 50% for areas over 5,000 ha).

- Clear and verifiable obligations

To ensure efficiency and transparency, beneficiaries must:

- Hold a valid forest management plan
- Have a contract for forest administration or services
- Comply with eco-conditionality (good agricultural and environmental conditions)

The **total budget** allocated for Intervention DR-07 – Forest-environment and climate services, and forest conservation under Romania's CAP Strategic Plan 2023–2027 is €72.006.991,00 per year.

[10] A consulted forestry association affirmed to have applied to the 2020/2024 session (Measure 1.15 'Silvo-mediu and Clime' (2020-2024)), but at the date of the consultation (early October 2025) the amount was not paid yet. Based solely on desk research, it is not possible to determine whether this situation results from an administrative delay or from a legitimate reason for non-payment (e.g. the association not meeting certain requirements).

1.3. LIFE and Horizon Europe

This is not part of the national research.

2. Financial incentives based on MS funding

2.1. State aid

Under EU Single Market competition policy, state aid is generally prohibited unless it falls under specific exemptions, including environmental protection activities. Forestry, being part of NACE Code 02 (Forestry and logging), may qualify under these exemptions if the aid contributes to biodiversity, afforestation, or climate goals.

The official EU State Aid Transparency Public Search is not used by Romania to mention the list of state aid projects. The projects are available at regas.consiliulconcurentei.ro/transparenta/index.html, but the site seems not functional at the moment.

A **State aid scheme is established under the national recovery and resilience plan** (NRRP). More precisely, it is established by three successive ministerial orders regulating and modifying the State aid scheme for afforestation under the NRRP[11]:

1. **Order No. 3027/2022** – initially adopted the specific guide under investment C2/I.1.A;
2. **Order No. 3181/2023** – clarified and amended core definitions, legal references, and eligibility rules;
3. **Order No. 1869/2024** – significantly updated performance indicators, funding volume, and payment mechanisms.

Scope of the Scheme

The aid scheme supports:

- Establishment of new forest areas (afforestation);
- Restoration of forest potential damaged by natural disasters;
- Maintenance of new plantations;
- Compensation for loss of agricultural income due to land-use change.

The scheme explicitly qualifies as State aid compatible with Article 107(3)(c) TFEU, and is grounded in:

- Emergency Ordinance no. 35/2022;
- Ministerial Order no. 2121/2022 (approval of the aid scheme);
- EU Guidelines for State aid in the agricultural and forestry sectors (2022/C 485/01).

[11] https://pnrr.mmap.ro/liste-de-proiecte-selectate-c2/

Key Developments Across the Three Orders

Feature	Order 3027/2022	Order 3181/2023	Order 1869/2024
Aid Budget	~€100 million	–	**Increased to €326.86 million**
Legal Reference	Based on OUG 35/2022	Reinforced reference to Law 236/2023 and MO 2121/2022	Confirmed
Land Eligibility	Broadly defined	Clarified: excludes natural grasslands, wetlands, HNV farmland	Maintained
Compensation for income loss	Not detailed	Mentioned	12 years of payments (LPIS-calculated)
Performance Indicators	Not defined	–	6,000 ha by 2023, 26,760 ha by 2026
Verification	Administrative + field	–	GPS-linked visual documentation + PGI platform
Planting Material	General requirement	–	Origin certificates + transport authorizations mandatory
Obligations after planting	Unspecified	–	20-year maintenance required

Key Technical and Legal Improvements

- **Explicit Link to State Aid Framework**
  - The 2023 amendment clearly integrates EU State aid law (Art. 107(3)(c) TFEU and 2022 Guidelines).
- **Stronger Monitoring & Verification**
  - The 2024 reform enforces robust geospatial control mechanisms, photographic evidence, and stricter conditions for interim payments.
- **Clarity in Eligible Land Use**
  - Only specific types of degraded, non-high-nature-value land are eligible – ensuring biodiversity protection.
- **Expanded Public Beneficiary Base**
  - Both public and private landowners (including municipalities, RNP Romsilva, and NGOs) are eligible.

State Aid and Incentives under OUG No. 35/2022[12] (Amended – ground of State aid scheme established under the NRRP)

[12] https://legislatie.just.ro/Public/DetaliiDocument/253712

Legal Basis & Context

GEO No. 35/2022, as adopted by the Government of Romania and published in *Monitorul Oficial* No. 340 of April 7, 2022, establishes the legal and institutional framework for implementing the **national afforestation and reforestation campaign** under the **PNRR.**

The ordinance responds to Romania's commitment to:

- Afforest 25,000 ha by the end of 2023
- Afforest an additional 31,000 ha by 2026

The legal urgency was triggered by declining afforestation rates (e.g., <200 ha in 2020) and the environmental need to combat land degradation, erosion, desertification, and climate change, aligning with EU Green Deal goals.

OBJECTIVE AND SCOPE (Article 1 of OUG No. 35/2022)

Funds from the PNRR are allocated to finance the following categories of services and works:

1. **Afforestation of Suitable Agricultural Lands**
   Includes project design, plantation, and maintenance on arable land, permanent pastures, and permanent crops, excluding natural permanent grasslands, wetlands, and high natural value farmland.
2. **Afforestation of Degraded Lands**
   Activities on degraded lands included in amelioration perimeters, as defined by Law No. 100/2010.
3. **Restoration of Damaged Forests**
   Reforestation and maintenance of forests located within the national forest fund damaged by: fires, natural disasters, pest outbreaks, other catastrophic events.
4. **Protective Forest Belts (*Perdele Forestiere*)**
   Establishment and maintenance in accordance with Law No. 289/2002.

Public and private landowners, including **natural persons**, **legal entities**, and **local authorities** implementing the abovementioned activities are eligible for the mentioned funds.

Financial Mechanism and Subsidies

A. Annual Fixed Afforestation Premiums (Article 1(4)(b))

Owners of agricultural land eligible for planting (Article 1(a)) receive **fixed annual premiums**, calculated based on the average cost per hectare/year as approved in the state aid schemes.

B. Compensation of Service Costs (Article 1(4)(c))

For activities under Article 1(b)–(d), costs are reimbursed based on the general budget of investment objectives, conditional on proper **execution and acceptance** by **forest inspectorates.**

C. Minimum Allocation Rule (Article 1(5))

Each of the three categories under Article 1(b)–(d) must receive **at least 15%** of total funds. Unused funds by end of 2024 may be reallocated.

CARBON SEQUESTRATION INCENTIVE: THE "FOREST SEQUESTRATION PREMIUM" (ARTICLE 3 of OUG No. 35/2022)

One of the **most significant financial instruments** introduced is the "***prima de sechestrare forestieră***" – a carbon compensation premium:

- **Eligibility:** Owners of lands afforested under Article 1(a) and (b)
- **Amount:** €640/year/hectare
- **Period:** 20 years (starting the year after plantation reception)
- **Financing:** Primarily from the **Environmental Fund**, and secondarily from the **State Budget**
- **Verification:** Annual reports by the relevant **Forest Guard**

This mechanism explicitly **compensates for carbon stored** in biomass, reflecting **climate policy integration** into forestry funding.

OUG 35/2022 represents a **cornerstone ordinance** within Romania's forest and climate legal infrastructure. It combines land rehabilitation, carbon sequestration, climate adaptation, and ecosystem restoration by providing multi-year funding, tax-exempt financial transfers, and legal certainty for beneficiaries of the PNRR forestry objectives. It complements OUG 34/2023 by reinforcing the implementation framework with specific budgetary and procedural instruments. Together, the two ordinances establish a robust regulatory and incentive architecture for forest development in Romania.

Finally, **Order 2088/2024**[13] 'regarding the approval of the **de minimis aid scheme** 'Support for granting non-reimbursable funding from the National Recovery and Resilience Plan for reforestation works initiated after February 1, 2020, aimed at restoring forest potential affected by fires, adverse weather phenomena that may be considered natural disasters, pest infestations, and catastrophic events' is also relevant[14].

The scheme provides **non-reimbursable financial aid (grants)** to **public and private forest landowners** and their associations.

It targets investments for **reforestation** and **afforestation** on **forest land** affected by: wildfires; severe weather events (storms, droughts, floods); infestations with harmful organisms; catastrophic events.

[13] https://legislatie.just.ro/Public/DetaliiDocumentAfis/289177

[14] A consulted forestry association affirmed that this aid was not enough, but was the only alternative available.

Objectives of the Scheme

1. **Restore forest potential** on degraded forest lands.
2. **Contribute to:** climate change mitigation, carbon sequestration, biodiversity conservation, sustainable forest management

Financial Details

- **Maximum aid per beneficiary (enterprise): €300,000 over 3 years**
- Funding covers:
    - Site preparation,
    - Sapling procurement, transport, and planting,
    - Maintenance and replacements,
    - Technical forestry services (e.g. documentation, inspections, approvals)

Eligibility Criteria for Forest Landowners

- Owners or holders of forest land affected after 1 February 2020.
- Damage is documented and the land is within the National Forest Fund.
- A minimum 0.5 hectares of contiguous forest land is impacted.
- They completed and paid for reforestation works by 31 May 2023.
- They have a contract with a forest district (Ocol Silvic).
- Species used are compliant with forest management plans and climate resilience principles.

Exclusions apply to entities:

- Active in fishing, aquaculture, and primary agriculture,
- In insolvency, under special administration, or with unresolved state aid recovery orders,
- Tied to non-cooperative tax jurisdictions (blacklisted by the EU).

Eligible Costs

- All activities from site preparation to plantation establishment and maintenance until "stand closure" (dense, stable forest structure).
- Also includes recovery after new catastrophic events if damage is proven.

Implementation Timeline

- Scheme active until 31 March 2025
- Payments allowed until 30 June 2026
- Total budget: 20 million RON (~€4 million).

2.2. Taxes and tax exemptions, subsidies

Financial Support and Subsidies:

Small Forest Owners (SFOs) in Romania are eligible for various financial support mechanisms when they contribute to ecosystem services or fulfill specific legal obligations such as adhering to forest management plans and reforestation duties (Article 123 of the Forestry Code).

- **Types of Support Include:**
    - **Compensations** for restrictions on harvesting or other conservation obligations (Article 84 from The Forestry Code[15]).
    - **Subsidies** linked to the Forest Conservation and Regeneration Fund (Articles 80, 117, 124 from the Forestry Code).
    - **Fiscal Incentives**: SFOs may benefit from tax incentives such as exemptions (Articles 125 from the Forestry code exempts the forest owners of less than 30 ha from the cost of security and forest administration as well as the cost of disease and pest control works[16]) or reductions in specific tax obligations, particularly when their properties are under 10 hectares or when sustainable practices are documented according to the Fiscal Code. According to Article 126 state aid may be granted in forestry to the forest owners for costs including: the expenses for the establishment of forest vegetation and its maintenance until canopy closure on compact forest land areas of at least 0.5 hectares affected by biotic and/or abiotic factors, approved based on a technical estimate notice by the territorial competent Forest Inspectorate. In addition, compensation for growth loss is granted annually for a period of 10 years for the same areas, with payments starting from January 1st of the year following the occurrence of the damage. The eligible costs also cover the reimbursement of expenses incurred for harvesting accidental timber. These amounts of money are available either through the forest management administration or directly to the forest owners.
    - Legal entities that have been granted concessions over public lands owned by the state, designated for non-forestry uses, on which protective forest shelterbelts are established, are exempt from paying the royalty corresponding to the area occupied by the shelterbelts, in compliance with applicable European and national state aid regulations (Article 130 from the Forestry Code).
- **Administrative Burdens**: Access to these subsidies often requires extensive administrative procedures, such as registration in the National Forest Registry (RFN) and compliance with forest management obligations.

[15] https://legislatie.just.ro/public/DetaliiDocument/293218

[16] A consulted forestry association advocates to extend this measure to cover up to 500 hectares in the case of forest associations, with the same 30-hectare threshold applied per individual member. Such an approach, in their view, would encourage small forest owners to join associations. However, it should be noted that implementing such measures would entail significant costs for the Romanian government which may be difficult to sustain.

2. Forest Incentives and Taxation Forest Incentives:

- Romania offers **direct financial incentives** to forest owners who maintain or enhance the ecological and protective functions of forests: the owners are exempted from the costs of the restoration of forests, regardless of the size, if the amounts allocated at the maximum level from the forest conservation and regeneration fund are insufficient; Providing financial assistance for the creation and strengthening of forest owners' associations, as well as offering educational materials to forest owners on forest preservation and sustainable management (Article 125 of the Forestry Code). These include payments for ecosystem services, sustainable harvesting incentives, and subsidized afforestation or regeneration projects (Article 90 of the Forestry Code). Forests included in protected areas or virgin forest inventories may be eligible for specific conservation-related subsidies Article 89 of the Forestry Code)[17].

Key Taxes

1. **Taxation of Forestry Income under the Fiscal Code**

Rule: Forest lands are typically subject to annual land tax

- **Article 61(f) – Taxable Income Categories**

Forestry income is included among taxable sources: *"Income from agricultural, forestry, and fishery activities".* According to Article 103 of the same Code, revenues from forestry represent the revenues obtained from the harvesting and valorisation of products specific to the national forest fund, namely wood and non-wood products.

- **Exemptions:**

- **Article 464(1)(w)** of the Fiscal Code: 464 paragraph 1 letter w from the Fiscal Code[18], the owners of **forest areas**, other than those under public ownership, for which timber production processes are not regulated, including certified forests and stands with trees up to 20 years old, **are exempted from taxes for land property.**
- **Article 105(a) – Non-taxable income from wild flora**: a) Products collected from wild flora, **excluding timber.** In the case of timber, only income from the **exploitation and sale of up to 20 cubic meters/year** from forests owned by the taxpayer is considered **non-taxable income.**
- Carbon Sequestration Incentive: The "Forest Sequestration Premium" EGO 35/2022 - This is a **unique mechanism** in Romanian law, and while not explicitly defined as tax-exempt in OUG 35/2022, its nature and public financing source make it eligible for **non-taxable status** under:

[17] Governmental Decision no 167/2024 for the approval of the methodological norms regarding the granting, use, and control of compensations representing the value of the products that forest owners do not harvest due to the protection functions established through forest management plans, which impose restrictions on timber harvesting, https://legislatie.just.ro/public/DetaliiDocument/279593

[18] The Fiscal Code approved by Law no 227/2017, https://legislatie.just.ro/Public/DetaliiDocument/171282

- Article 62, Fiscal Code (non-taxable subsidies)
- Public finance rules on grants for environmental services
- Practice guidance from the Ministry of Finance (interpretation of subsidies not generating taxable profit)
- Key condition: Confirmation of plantation existence by the Forest Guard, ensuring that the payment is indeed tied to environmental service delivery.

2. Corporate Tax (Impozitul pe profit)

- **Applicable Rate**: 16% on profit for legal entities involved in forestry. (e.g., family farm, cooperative, company) or **microenterprise tax** (1%-3%) (Article 17 of the Fiscal Code[19]).
- Eligible to deduct forest management and reforestation expenses from taxable profits.
- **Incentives**: No forestry-specific corporate rate, but standard deductions may apply for:
  - Sustainable forestry investments.
  - Replanting and afforestation.
  - Forest machinery and infrastructure investments.

3. Value Added Tax (VAT)

A. General VAT Obligations

- SFHs are subject to 19% standard VAT (article 291 of the Fiscal Code) if:
  - Their annual turnover exceeds 300,000 RON (Article 278^1 of the Foscal Code), or
  - They voluntarily register as VAT payers.
- If registered, they must:
  - Issue VAT invoices;
  - Collect and remit VAT;
  - File regular VAT returns;
  - Deduct eligible input VAT.

B. Reduced 5% VAT Rate for Certain Firewood Products

Under Article 291 of the Fiscal Cod[20]e, a reduced 5% VAT applies to certain wood products delivered to individuals for heating, including:

- **Firewood in raw forms:**
  - Trunks, logs, brushwood, branches or similar: NC codes: 4401 11 00 and 4401 12 00
- **Processed biomass fuels:**

[19] https://legislatie.just.ro/Public/DetaliiDocument/171282

[20] https://legislatie.just.ro/Public/DetaliiDocument/171282

- Sawdust, wood waste, **wood residues agglomerated as pellets or briquettes: NC codes: 4401 31 00 and 4401 32 00**

- **Unprocessed biomass fuels used for heating**, sold to individuals who declare final use: NC codes: 4401 41 00 and 4401 49 00

Condition: The reduced 5% VAT rate applies only to deliveries to individuals (natural persons) for personal use as heating fuel, based on a self-declaration by the buyer.

2.3. Funding provided by regional and local authorities

No examples of funding provided by regional agencies or local authorities were found[21].

2.4. Funding provided by foundations, business associations, educational or other institutions

In Romania, several forestry-related initiatives have been funded by private foundations, corporate entities, and academic institutions, often in collaboration with environmental NGOs and public authorities:

Wyss Foundation & Foundation Conservation Carpathia[22]

- The Wyss Foundation contributed significant funding to Foundation Conservation Carpathia, supporting the protection and rewilding of forest ecosystems in the Făgăraș Mountains.
- The initiative involved the purchase and protection of approximately 16,000 hectares of forest, with long-term goals of creating a national park[23].
- Total funding exceeded **$16 million**, including .
- Conservation Enterprise – Carpathia[24] has developed economic incentives for local communities and prove that a protected area is more beneficial for them than the current, extractive economy
- One of the objective of the Foundation Conservation Carpathia is to engage local communities and stakeholders (including SFHs) in participatory forest management and governance[25].
- Creation of a wilderness reserve in the Southern Carpathian Mountains, Romania[26] - Foundation Conservation Carpathia and the local communities agree on a zoning of the reserve, which takes the local demand for fire and construction wood and grazing areas into account, and identify restoration needs and funding opportunities.

[21] This was confirmed by a consulted forestry association.
[22] https://www.carpathia.org/ro/cine-suntem/
[23] National Geographic evidențiază eforturile Fundației Conservation Carpathia de conservare a ecosistemului din Munții Făgăraș - Jurnal de Sustenabilitate; Fundația Conservation Carpathia propune ecoturism în Munții Făgăraș; Comunitățile decid înființarea parcului național
[24] Conservation Enterprise – Carpathia; Fondul Carpathia | Fundația Comunitară Țara Făgărașului
[25] LIFE Platform Meeting on Forest Restoration in Europe – Carpathia
[26] Endangered Landscapes Programme – Carpathia

HS Timber Group – Tomorrow's Forest Foundation[27]

- Through its foundation "**Pădurea de Mâine" (Tomorrow's Forest)**[28], HS Timber Group financed afforestation and forest restoration projects across degraded lands in Romania. Tomorrow's Forest Foundation implements the Tomorrow's Forest Communities programme by allocating non-refundable grants between 2022—2031, within the limits of available financial resources and of an annual allocation, respecting free competition, the effective use of resources, transparency, and equal treatment.

The **objectives** of the programme are:

- Promoting the responsible management of forests, the adequate management of protected areas and the conservation of biodiversity in forest areas.
- Contributing to increasing the quality of life in forest communities.
- Cultivating respect and love for nature and its riches through awareness and quality education of the inhabitants of forest areas.
- Providing equal opportunities for the development of forest communities.
- Supporting the implementation of innovative technologies with low carbon emissions.

The total budget of the programme is 150,000 EUR for the year 2025.

Eligible Entities

- Owners/administrators of forests and/or their associations.
- Territorial-Administrative Units, owners of forest/forest space or their associations.
- NGOs with concerns in sustainable forest management.
- NGOs with expertise in nature conservation and management of protected areas.
- Local, community NGOs, social enterprises, cooperatives.
- Educational institutions (kindergartens, schools, high schools, universities) and forestry research institutes.
- The initiative focuses on sustainable forest regeneration, biodiversity protection, and raising awareness about forest management.

- In 2023, **grant funds of over 538,000 lei** were awarded to four community-led forestry projects.
- Examples include:
    - **"Smart Escape" trail** in Buzău County: 148,070 lei for an educational forest path.
    - **"Green Footprint"** in Odorheiu Secuiesc: 139,225 lei for tree-planting (edible chestnuts) and forest education.

[27] https://hs.at/en/responsibility/social-responsibility-pillars.html

[28] Welcome to Tomorrow's Forest Communities: 4 impactful projects won grants in 2023 - Tomorrow's Forest Foundation

- **Biodiversity monitoring in the Apuseni Mountains** (University Babes Balyai-led): 108,700 lei allocated to community–scientist collaboration.

- In 2024, the Foundation launched its **third edition** of grants totaling **€150,000**, awarding individual projects up to **€30,000**[29] .

Tomorrow's Forest Foundation – Afforestation Funding[30]

Support for owners of forest land with regeneration difficulties (natural disasters, degraded forest land)

- Tomorrow's Forest Foundation aims to support owners who do not have the capacity to carry out regeneration works on their forest land.
- Any private forest owner and administrative-territorial unit in Romania is eligible to receive fundin
- Priority will be given to lands affected by natural calamities such as windfalls or forest fires.

European Investment Bank (EIB) – Romania Forest Regeneration Project[31]

- In October 2022, EIB provided a **€9.5 million loan** to SLB Group for sustainable forest management in Romania.
- Covers approx. **2,200 ha**, implementing principles like continuous-cover forestry, natural regeneration, biodiversity conservation, and FSC certification
- According to How to regenerate a forest:
    - SLB's practices could be used as a model for other sustainable forestry projects in Romania. Some potential business models include:
    - Creating services that recognise and value the multiple benefits that forests provide beyond timber. This would leverage the concept of ecosystem services and could include promoting carbon sequestration, water regulation, eco-tourism and non-timber products such as medicinal plants.
    - Establishing collaborations with local communities and NGOs, which would enable projects to benefit from these groups inherent knowledge of forest management. This could include community-based forest management schemes, sustainable agroforestry projects and ecotourism initiatives that provide local economic opportunities.
    - Implement restorative and regenerative practices that would emphasize restoring degraded forests and adopting regenerative practices that enhance biodiversity and ecosystem health. This could involve reforestation initiatives,

[29] Tomorrow's Forest Communities: the grant program begins its third edition: grants between 3,000 and 30,000 Euros - Tomorrow's Forest Foundation

[30] Programmes - Tomorrow's Forest Foundation;
Welcome to Tomorrow's Forest Communities: 4 impactful projects won grants in 2023 - Tomorrow's Forest Foundation

[31] ROMANIA FOREST REGENERATION-SLB (NCFF)

promoting natural forest regeneration, and implementing sustainable land-use practices to improve soil quality and watershed management.

Plant for the Future (PUR) – Transylvania Landowners' Associations and Mihai Eminescu Trust (MET)[32]

- A community-based reforestation program that funds landowner groups to restore forests in Transylvania.
- on its way to reach 2,000,000 trees planted with PUR. To further increase the impact, MET and PUR are exploring the possibility of implementing a carbon certification plan within the project. In order to engage landowner associations and forest authorities in the carbon certification process, training was provided during a regular field visit in 2022.

Other information on PUR:

- Since its 2009 inception, the project has delivered **1.56 million trees** across **372 hectares**, introducing **17 native species** to improve ecological diversity.
- Coordinated with the Mihai Eminescu Trust (MET), the initiative addresses high reforestation costs and low local support by assisting **131 beneficiary groups**, including smallholder associations.
- Local schools and communities participate in planting days, increasing environmental awareness and fostering a sense of stewardship.
- The project is categorized under agroforestry and reforestation, blending forest regeneration with productive land uses.
- In a 2019 example, church-owned pasture land was converted to forest with **20,000 trees planted over 5 hectares**, using species like spruce, larch, wild cherry, and sycamore. These sites are monitored annually until achieving "standalone" status (≥1.2 m height, ≥80 % soil cover)
- Forestry authorities and experts oversee survival rates and ecological progress toward independent forest stands.

BRD Forest Fund (BRD Société Générale)[33]

- A corporate initiative financing ecosystem restoration, soil health, and biodiversity in Romania.
- **Soil and wetland rehabilitation**
    - Restoration of forest soil structure and health.
    - Revitalization of forest lakes and wetlands to bolster ecosystem diversity.
- **Planting melliferous (honey) plants and establishing beehives**

[32] Transylvania, Romania | PUR
[33] The Civil Society | BRD.ro

    - Introducing nectar-rich flora and supporting apiculture to boost biodiversity and local economic potential.
- Often involves partnerships with organizations like EcoTree and local communities, creating co-benefits for environment and economy.

2.5. Innovative funding sources

1. Green Bonds

Still in its infancy in Romania, with **no forestry-specific issuance** as of mid-2025.

2. Carbon Credits

Public PES Scheme – OUG 35/2022[34]

- **Ordinance 35/2022**, as updated in 2024, established a carbon sequestration payment system (the "forest sequestration premium"):
    - **Beneficiaries**: individuals, local authorities, or companies afforesting lands inside or outside the National Forestry Fund (FFN).
    - **Payment**: **640 €/ha/year**, for **20 years**, based on certified carbon storage in biomass.
    - **Eligibility**: Confirmed by the **Forest Guard** after plantation is received into evidence.
    - **Financing source**: Environmental Fund (including **EU ETS revenues**) or state budget.

Legal Basis in Forestry Code 2024[35]

- **Art. 128 (2)** allows for the development of **payment mechanisms** to reward carbon sequestration from forestry.
- OUG 35/2022 represents the first national operationalisation of carbon credits as a PES mechanism, fully aligned with the Forest Code.

3. Biodiversity Credits

Not implemented in Romania as of 2025.

4. Payment for Ecosystem Services (PES)

Recognised in Art. 128 of the Forest Code 2024. For now, the only national operationalisation of this Article is the "forest sequestration premium" (see above).

5. Crowdfunding

No info on relevant crowdfunding initiatives.

[34] See also above under Section "State aid".
[35] https://legislatie.just.ro/public/DetaliiDocument/293218

2.6. Other funding sources

No other funding sources were identified[36].

[36] Confirmed by a consulted forestry association.

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