AGREEMENT

BETWEEN

KILIMO TRUST

UGANDA GATSBY TRUST

AND

NATIONAL AGRICULTURAL RESEARCH ORGANISATION

Whereas Kilimo Trust is a Trust registered in Uganda under NGO ordinance of but operating in the East African Region to continue the work of The Gatsby Charitable Foundation in funding Agricultural Research and Development.

And Whereas Uganda Gatsby Trust (UGT) is a Trust with a developmental status in Uganda, which is recognized under the NGO statute of 1989.

And Whereas the National Agricultural Research Organisation (NARO) is a Uganda Government Institutions responsible for Agricultural research and forestry research under FORRI.

And whereas these parties wish to collaborate in Phase II of a tree multiplication project which will:

a) make a significant environmental contribution in the form of an increased re-afforestation of Uganda.
b) promote sustainable forestry and the wide spread dissemination and distribution of improved varieties of trees at a low cost and;
c) will have a positive impact on poverty alleviation through improved access to affordable natural resources.

IT IS AGREED THAT

The above parties will collaborate in order to ensure that the project achieves full scale viability. This will comprise:

(i) The operationalization and expansion of the clonal nursery hedges at Kifu, FORRI in Mukono District.
(ii) The expanded distribution of seedlings to farmers throughout Uganda through regional and hardening and distribution nurseries.
(iii) The continued development of trial sites for both imported clonal material and high quality local stock.
(iv) Publicising the project to increase recognition of the value of the clonal material at village level.
(v) Working towards financial self sufficiency of the project by 2009.

b) The project will be managed by a Project Board.

d) All sales and income will accrue to the Project to cover both operating and investment costs

e) The Project Management will be accountable to the Board.

Byamhanga

2. **Obligations of NARO (FORRI)**

Provide a lease to the land and related facilities at the Kifu Clonal Nursery to Uganda Gatsby Trust enable the project to expand production to a total output of 2 million seedlings by 2009. It will liaise with the National Forestry Authority (NFA) in ensuring continued monitoring of trials conducted at current and additional sites in Uganda and to provide regular assessment of the disease status of all material held in central and grow-out nurseries. It will carry out research on various aspects of the project.

To provide two Board members.

3. **Obligations of UGT**

Under this Agreement, the obligations of Uganda Gatsby Trust (UGT) will be to receive funds from Kilimo Trust, to provide Two Board Members, and to provide a quarterly set of management accounts. UGT will employ staff to manage the project. UGT will be responsible for acknowledging receipt of funds from Kilimo Trust in writing and should quote **KT0x06** in all correspondence related to the agreement.

4. **Obligations of Kilimo Trust**

Under this agreement, Kilimo Trust will provide a total of US$879,600 to the project over a period of three years (2006/09) in order to partially finance the operating costs as shown in Annex 1. The phasing of the disbursements and their distribution according to budget items is shown in Annex 1. Kilimo Trust reserves the right to terminate funding at any time and from time to time during the proposed period of disbursement if in its absolute discretion it considers that the programme is not being implemented effectively. Such suspension will take place after a one month period given in writing by Kilimo Trust to all parties.

5. **Composition Of The Board**

The Board will comprise at least two Trustees of UGT, Director General of NARO, Director of FORRI, Representative of NFA, a Representative of Kilimo Trust and such other individuals with expertise whom the Board members may co-opt. The Board will assist the UGT Board to oversee the Project Implementation and will
have the responsibility for:

a) Setting the annual budget
b) Confirming project work plans.
c) Advising on technical issues of the project
d) Reviewing the reports and management accounts
e) Monitoring the performance of the staff

Byamukama

6. **Back Stopping**

The technical backstopping function will be performed by Karura and Mondi Forests of South Africa and will involve:

- Supply of the clonal material on a commercial basis
- Training and on-site visits to the project in Uganda
- Advising UGT Board and Project Management on implementation.

7. **Effective Date**

This agreement will be deemed effective following its signature by the authorised representatives of the parties.

8. This agreement is subject to the laws of Uganda.

Dr. Denis T. Kyetere
Director General
National Agricultural Research Organisation

Date: March 28, 2006

Dr. Joseph K. Byaruhanga
General Manager
Uganda Gatsby Trust

Date: 28 March 2006

Dr. John Lynam
Managing Director
Kilimo Trust

Date: 13 April 2006

Table 1:

UGANDA TREE PROJECT : PHASE 2

OVERALL BUDGET 2006 - 9 ('000 US$)

1	**COSTS**	**Note**	**2006-7**	**2007-8**	**2008-9**	**TOTAL**
	A. KIFU NURSERY					
	Capital		30.6			
	Recurrent					
	(a) Materials		16	16	16	
	(b) Personnel		25.2	25.2	25.2	
	B. Regional Nurseries					
	Lease of land	4	2	4		
	Start-up costs	1	48	48		
	C. Distribution & Hardening					
	Nurseries	2	45.5	45.5	49	
	D. Baseline survey		10			
	E. Woodlot establishment	5	45	45	90	
	F. Technology Transfer	6	25	20	20	
	G. Farmer Trng		10	10	10	
	D. Project Management					
	& Supervisors	3	45	80	80	
	SUB TOTAL [1]		**302.3**	**293.7**	**274.2**	
	Other overheads @ 15%		45.3	44.1	41.1	
	Loan Fund		90	180	234	
	Vehicle		30			
	I. Research		40	40	40	
	Board Costs		7	7	7	21
	Training (Tech. & Management)		15	15	10	40
	SUB TOTAL [2]		**227.3**	**286.1**	**332.1**	
	TOTAL[3]		**529.6**	**579.8**	**606.3**	**1715.7**
2	**REVENUE**					
	A. KIFU NURSERY	7	250	340	380	
	B. Regional Nurseries	8	225	450	720	
	C. Loan Interest	9	32	97	183	
	D. Sawlog refund	10	337	450	675	
	TOTAL(UshM)		844	1337	1958	
	TOTAL($'000)	11	468	742	1087	2297
3	**CASH FLOW**					
	Previous Yr Surplus		0	-61.6	100.6	
	Costs		529.6	579.8	606.3	
	Revenue		468.0	742.0	1,087.0	
	Operating surplus		-61.6	100.6	380.1	
	Total Capital Required	**12**	**529.6**	**280**	**70.0**	**879.6**

1	see Table 103 : assumes 2 in Yr 1 and 2
2	assumes 13 in Yrs 1 and 2 and 14 in Yr 3
3	as in 10.4 (adjusted & assumes only 50% required Yr 1
4	assumes land rented at $100/acre (not $1000)
5	based 4800 ha building up to Yr 3
6	ex Mondi and ISAAA
7	sales of 1.6M seedlings by Yr 3
8	sales of 3.6M seedlings by Yr 3
9	at 20% on outstanding balance
11	at $1 = Ush1800
12	50% of costs in Yr 2; 0% in Yr 3

729.6 Grant
150.0 Loan
by 2009