

**MEMORANDUM OF UNDERSTANDING FOR INVESTMENT
PROMOTION
BETWEEN THE MINISTRY OF COMMERCE AND INDUSTRY
OF THE REPUBLIC OF INDIA
AND THE MINISTRY OF ECONOMIC AFFAIRS
OF THE NETHERLANDS**

The Ministry of Commerce and Industry of India, and the Ministry of Economic Affairs of the Netherlands, hereinafter referred to as 'the Signatories',

Having regard to the close and friendly relations that exist between both countries;

Desiring to give new impetus to the economic co-operation through increased investment flows;

Aware of the need to renew, broaden and intensify economic co-operation on the basis of equality and mutual benefit; within the framework of existing laws and regulations;

Recognising the interest of the Indian and Netherlands Governments to focus India- Netherlands relations on private sector development;

have reached the following understanding

Article 1

An Investment Promotion Committee (hereinafter referred to as the Committee) will be constituted to promote investment co-operation. The details regarding the composition and terms of reference of the Committee will be as follows:

- A) The Committee will be chaired by the Secretary, Department of Industrial Policy and Promotion of the Ministry of Commerce and Industry, Government of India, and the Minister for Foreign Trade of the Ministry of Economic Affairs, the Netherlands.
- B) The Committee will comprise of representatives of concerned ministries and relevant organisations, after mutual consultation of the Signatories.

Article 2

The Member Secretaries for the Committee will be the Joint Secretary (SIA), Ministry of Commerce and Industry (Department of Industrial Policy & Promotion), Government of India and the Ambassador, Royal Netherlands Embassy.

Article 3

The Committee will preferably meet once every year, alternatively in India and the Netherlands

Article 4

A Sub-Committee may be constituted to work out the details of co-operation, to identify promising sectors for co-operation and to assist private sector companies.

The Sub-Committee will be co-chaired by the Joint Secretary (SIA), Ministry of Commerce and Industry (Department of Industrial Policy & Promotion), Government of India and the Ambassador, Royal Netherlands Embassy. The other members of the Sub-Committee may be decided upon by mutual consultations.

The Sub-Committee will meet as often as required.

The role of the Sub-Committee will be purely advisory.

Article 5

In view of promoting investments in India, the Signatories have consented that the Netherlands funded business-to-business Program for Co-operation with Emerging Markets (PSOM) be introduced in India with immediate effect. Consortia of Dutch and Indian companies will submit appropriate proposals to the Dutch agency Senter for approval in accordance with standing PSOM-arrangements. Annex I provides a short description of this Program, including a description of the role of the Royal Netherlands Embassy in New Delhi and the Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India.

Article 6

The Memorandum of Understanding will come into effect on the date of signing and will be effective for three years. The Signatories will meet towards the end of the three-year period in order to evaluate the Memorandum of Understanding and discuss possible continuation and orientation of the economic cooperation as mentioned in the Memorandum of Understanding.

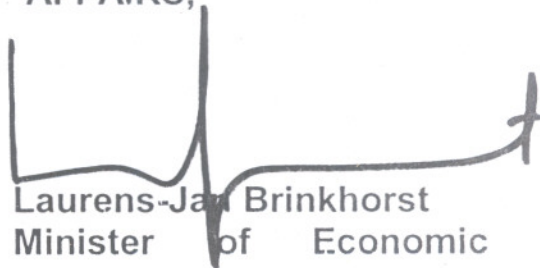
Signed in duplicate at New Delhi on 27th day of February in the year two thousand and four in the English language.

FOR THE MINISTRY OF
COMMERCE AND
INDUSTRY, REPUBLIC OF
INDIA,



Arun Jaitley
Minister of Commerce &
Industry and Law & Justice

FOR THE NETHERLANDS
MINISTRY OF ECONOMIC
AFFAIRS,



Laurens-Jan Brinkhorst
Minister of Economic
Affairs

The Program for Co-operation with Emerging Markets (PSOM)

Objectives of the Program:

- The Program aims at supporting private sector development by promoting and supporting economic co-operation between the business sectors of India and the Netherlands on the basis of equal partnership and mutual benefit with a focus on private investments.
- Support is provided to initiatives of the business communities of the Netherlands and India in setting up joint innovative pilot-projects in India, making use of international and local know how, goods and services.
- It is expected that successful try-outs will be continued and/or duplicated by the private sector.
- The business projects are expected to contribute to poverty alleviation. Projects creating substantial local employment, transferring knowledge, making extensive use of local SMEs in the supply chain, operating in geographically disadvantaged regions, generating income for a substantial group of beneficiaries and/or contributing in other ways substantially to poverty alleviation will receive priority. Projects however have to be at all times sound business proposals that lead to a sustainable business relation.

Implementation arrangements:

- The Program is open to all economic sectors. The Executing Agency Senter International is responsible for Program implementation. Senter will launch an annual call for proposals, examine the proposals and award contracts. Under the Program annually some 4 pilot investments can be accommodated, with an average project cost of Euro 1,000,000 per investment. The PSOM will contribute 50% of the project costs. The Program will run initially for two years, but can be extended by mutual accord.
- In line with standing PSOM arrangements, Senter asks the Royal Netherlands Embassy in New Delhi for advice on submitted proposals. The Embassy will in turn seek advice from the Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, being the (co-)chair of the Sub-Committee mentioned Article 4 of the MoU. The Sub-Committee will review annually the progress made under the Program.