

**GENERAL OVERVIEW OF JOINT VENTURE**

**AGREEMENT IN NIGERIA**

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## **1.0 INTRODUCTION**

A joint venture (JV) is a type of commercial partnership in which two or more parties agree to pool their resources to complete a certain job. This task could be a new project or another type of company activity<sup>1</sup>. It is a business arrangement where two or more separate entities come together to collaborate on a specific project, venture, or business activity. The joint venture can involve sharing resources, expertise, risks, and rewards, with the goal of achieving a common objective.

It resembles a partnership in which all risks, finances, and rewards are shared. The term is what distinguishes a partnership from a joint venture agreement. A partnership lasts as long as feasible, whereas a joint venture is terminated when the purpose for which it was formed is realized or extinguished<sup>2</sup>.

A Joint Venture Agreement is a contract between two or more persons or firms who wish to collaborate on a new discrete project, launch a new service, or perform some other type of specific activity in order to profit<sup>3</sup>. It refers to the legal contract that outlines the terms, conditions, and responsibilities of the parties involved in a joint venture (JV). It defines how the joint venture will operate, how profits and losses will be shared, each party's contributions, decision-making processes, and other important aspects of the partnership.

In essence, the JV agreement is the formal legal document that governs the terms of the JV, which is the actual collaboration or partnership between the entities. The agreement outlines the rules and guidelines that the parties must follow while participating in the joint venture.

There are steps to a Joint Venture Contract in Nigeria, which include:

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<sup>1</sup> Joint Venture Agreement - Template - Word & PDF (wonder.legal)

<sup>2</sup> JOINT VENTURE AGREEMENT IN NIGERIA (resolutionlawng.com)

<sup>3</sup> What Is A Joint Venture Agreement: Everything You Need to Know (upcounsel.com)

- ❖ having to define the business strategy to be undertaking;
- ❖ selecting the partners after due diligence in checking their credentials;
- ❖ develop a joint venture deal that negotiates all terms and conditions;
- ❖ planning; and execution of the Joint Venture Contract<sup>4</sup>.

Some of the key elements of a joint venture are:

- ❖ The parties involved;
- ❖ The scope of the joint venture;
- ❖ What each party to the joint venture will contribute;
- ❖ How the joint venture is structured;
- ❖ What will be contributed and how the ownership of the project will be divided;
- ❖ The type of arrangements after the completion of the task;
- ❖ How the joint venture will be managed;
- ❖ How the joint venture is staffed.

## **2.0 TYPES OF JV AGREEMENTS**

There are several types of joint venture (JV) agreements, each with its own characteristics and purposes<sup>5</sup>:

### **2.0.1 Equity Joint Venture**

In this type, partners contribute capital and assets to create a new entity. Profits and losses are shared according to each partner's equity ownership.

### **2.0.2 Contractual Joint Venture**

Also known as a cooperative agreement, this involves collaboration between parties without creating a new entity. Partners work together based on a specific contract for a particular project.

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<sup>4</sup> JOINT VENTURE AGREEMENT IN NIGERIA (resolutionlawng.com)

<sup>5</sup> www.businessdictionary.com

### **2.0.3 Consortium Joint Venture**

Multiple parties come together to bid on a project or contract, typically in sectors like construction or infrastructure. Each member contributes their expertise and resources.

### **2.0.4 Strategic Alliance**

Not always legally binding, this agreement involves cooperation between companies to achieve specific goals, such as sharing technology or expanding into new markets.

### **2.0.5 Limited Liability Partnership (LLP)**

Partners have limited liability for the venture's debts and obligations. This structure combines aspects of a partnership and a corporation.

### **2.0.6. Minority/Majority Joint Venture**

One partner holds the majority of ownership and control, while the other(s) hold a minority stake. This can be used to facilitate local market entry or comply with regulatory requirements.

### **2.0.7 International Joint Venture**

Partners from different countries collaborate to expand into foreign markets, leveraging each other's local knowledge, resources, and distribution networks.

### **2.0.8 Franchise Joint Venture**

A company grants another entity the right to use its business model, brand, and support in exchange for fees and royalties<sup>6</sup>.

## **2.1 LAWS GOVERNING JOINT VENTURE AGREEMENTS IN NIGERIA**

Joint venture agreements are governed by various laws in Nigeria such as:

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<sup>6</sup> Strategic alliance - Wikipedia

- The Companies and Allied Matters Act (CAMA) 2020;
- Oil and Gas Laws;
- Investment Laws;
- Competition and Antitrust Laws;
- Contract Laws;
- Taxation Laws;
- Land and Property Laws;

## **2.2 REQUIREMENTS OF A JOINT VENTURE AGREEMENT DOCUMENT**

When a joint venture project has been agreed on by all the parties, a document has to be drawn, such document is called the joint venture agreement. The document contains the following things<sup>7</sup>:

- **Identification of the parties**

The legal names and addresses of all the parties establishing the joint venture will be required in this document including the relevant contact information; the partners to a joint venture might be individuals, businesses, or other organisations.

- **Name of the joint venture**

This is the name that the parties wish to give to their joint venture. It should be noted that the joint venture might be registered as a partnership or a limited liability corporation.

- **Purpose and objectives or aim of the joint venture**

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<sup>7</sup> Joint Venture Agreement - Sample Template (wonder.legal)

The purpose and objective of the joint venture should be defined in the agreement, outlining the specific project, business activity or the goal that the parties are collaborating on.

- **Particulars of initial contribution by the parties**

A joint venture's partners are normally obligated to contribute to the joint venture. This donation can be monetary or in the form of any other valued consideration for example, real estate such as a building or land, service provision, or any other useful consideration.

- **Financial Arrangements**

Profit and loss sharing are to be described based on different elements such as contributions, ownership, percentages and other criteria previously agreed upon by the parties.

- **Duties and obligations of the parties**

Every participant in a joint venture is expected to perform specified activities or obligations, and the legal capacity and authority is to be stated by each party in compliance with the law.

- **Management of the joint venture**

The document requires information on the person who will be in charge of the joint venture's management. Information such as the management's name, compensation, and the procedure for appointing and dismissing a joint venture manager.

- **Meetings/Decision making**

This comprises meeting information such as the date, time, and venue, as well as the quorum and voting procedures for decisions or resolutions to be made at the meetings such as how liabilities, risks, and obligations will be shared.

- **Term and Termination**

Joint ventures are often formed for a set length of time or for the lifetime of a given project. This implies that it ends when the defined period expires or when the joint venture's aim or project is completed. This agreement also permits parties to mention other factors that may justify the joint venture's termination such as the parties' failure to meet their duties.

Following the completion of the form, all copies of this document should be signed by all parties to the agreement. If one of the parties is a Nigerian company, two directors or one director and one secretary shall sign the agreement and affix the company's common seal to it.

If one of the parties is not a company; an officer of the organisation should sign the agreement and guarantee that a witness attests to it by putting their name, address, occupation, and signature in the row directly below the official's signature in the document.

### **2.3 JOINT VENTURE AGREEMENT IN PARTNERSHIP AND LIMITED LIABILITY COMPANIES (LLC)**

A Joint Venture (JV) agreement can be used in partnership or limited liability companies (LLCs). A JV agreement outlines the terms and conditions under which two or more parties collaborate on a specific project or business venture. It can be utilized in various business structures, including partnerships and LLCs, to define the roles, responsibilities, contributions, and profit-sharing arrangements of the involved parties. However, the specific terms and legal implications may vary depending on the business structure and jurisdiction.

A Joint Venture (JV) agreement in a Limited Liability Company (LLC) context is a legal contract that outlines the terms and conditions under which two or more LLCs or other parties collaborate on a specific project or business endeavour. In this scenario, the participating LLCs maintain their separate legal identities while pooling resources, expertise, and efforts to achieve a common goal.

A Joint Venture (JV) agreement in a partnership context is a legal contract that outlines the terms and conditions under which two or more partners collaborate on a specific project or business venture. In this scenario, the participating partners maintain their individual legal identities while pooling their resources, expertise, and efforts to achieve a common objective.

A JV agreement within an LLC and partnership context includes clear definition of the purpose of the joint venture, the contributions of the participants, a specific outline of the management and decision-making and such as required.

## **2.4 TERMINATION OF A JV AGREEMENT**

Terminating a Joint Venture (JV) agreement involves a formal process outlined in the agreement itself. Typically, it requires mutual consent, legal review, and adherence to any specified notice periods or conditions. It's advisable to consult legal professionals to ensure a smooth and compliant termination.

To terminate a joint venture agreement, a party has to do one of the following<sup>8</sup>:

- Agree between the parties to end the joint venture before it has fulfilled its original function.
- Wait for the expiry of the fixed term of the joint venture.

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<sup>8</sup> FORMATION OF JOINT VENTURES IN NIGERIA | CHAMAN LAW FIRM - Best Law Firm in Lagos and Ogun State.



- Resolve an unresolved deadlock on a material issue.
- Complete the specified joint venture project.
- Sell the assets.
- List the joint venture company on a public exchange.
- Transfer the interests from one joint venture party to another.
- Sell the interests to a third party.

To end a joint venture, the desire to dissolve the joint venture enterprise must be conveyed to all contract parties via unambiguous acts. If the parties agree to terminate, then notice must be provided on all joint venture members in accordance with the joint venture agreement.

## **CONCLUSION**

A "JV agreement" is a legal document that details the terms, conditions, and duties of the parties engaged in a joint venture (JV). It specifies how the joint venture will run, how revenues and losses will be distributed, each party's contributions, decision-making procedures, and other key features of the partnership. A Joint Venture Agreement can be used at partnership or limited liability companies and such agreements include different elements as stated above.