

General Overview about Joint Venture in Ethiopia

Description

By DMLF Team

The Ethiopia Commercial Code Proclamation Number 1243/2021 defines a joint venture as a business organization established by an agreement among two or more persons. Joint venture has no legal personality and its existence is unknown to third parties. Registration formalities required of other business organizations do not apply to a joint venture.

With respect to formation, business organizations are established through a memorandum of association but a joint venture is established by joint venture agreement. The law does not require the agreement of the partners to be in any particular form. It could be written or oral. Even where it is a written one it is not required to go through the authentication and registration process. Joint venture agreement remains a private contractual document among the partners.

In principle, the provisions of the Commercial Code concerning contribution in general partnership shall apply to a joint venture. Yet, unlike general partnership, joint ventures lack legal personality and hence cannot own property under its own name. Thus, unless otherwise agreed, every partner owns his contribution.

With respect to management, the joint venture belongs to the category of partnership. As per article 238 of the Commercial Code, a joint venture shall be managed by one or more managers who need not be partners, and where no manager is appointed, all the partners shall have the power of managers.

Regarding the relationship of joint ventures with third parties, only the manager of a joint venture is known to third parties. He shall alone be liable for the debts and liabilities of the joint venture. A partner who is not a manager of a joint venture shall meet liabilities towards the manager of such joint venture only to the extent fixed in the agreement between partners. Where a partner who is not a manager takes part in the management of a joint venture, he shall be jointly and severally liable with the manager to third parties. Every partner of a joint venture shall deal with third parties in his own name.

When we come to dissolution, a joint venture shall dissolve due to several reasons including unanimous decision of the partners for dissolution, a request for dissolution by one partner where no fixed term has been specified, or where all the shares are acquired by one partner, death, bankruptcy or incapacity of a partner, in the absence of an agreement to continue the partnership.

For any related inquiries on joint venture, you may contact us at info@dmethiolawyers.com

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