BEYOND THE HANDSHAKE: HOW LANDOWNERS, CORPORATE EXECUTIVES AND REAL ESTATE DEVELOPERS CAN STRUCTURE WINNING JOINT VENTURE AGREEMENTS

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1. Joint Venture Agreement?

A joint venture(JV) Agreement is an agreement that establishes a short-term business collaboration between two or more parties to achieve a specific, limited goal.

A JV under real estate, is a temporary business relationship formed purposely to acquire, develop, or manage a real estate project.

For real estate developers, landowners, and corporate executives in Ghana, scaling up often hits a hard ceiling: you either lack the capital, or you lack the prime land and local expertise. A JV can be a handy tool to pool resources for a real estate project.

A developer or foreign investor can also pair with an indigenous company or local landowner to co-execute high-value projects that neither could achieve alone.

2. A Real Estate JV Agreement involves the following:

A well-drafted JV Agreement protects the parties by defining their financial contributions, management responsibilities, how profits and losses are shared, and liabilities.
A typical JV must include the following:

a. **Capital Contribution & Distribution of Profit**

The JV agreement needs to specify the exact amount of capital contribution expected from each party. In addition, it must also specify when this capital is due.

An important point to note when drafting the terms for a joint venture is how the members will distribute profits generated from the project. Compensation may not necessarily be equally distributed. For example, parties that have invested more into the project may be compensated better .

The market standard for development JVs typically spells out a **70/30 split**. The developer funds 100% of construction costs and retains 70% of the completed housing or commercial units, while the landowner is allocated the remaining 30%.

b. **The Ghana Investment Promotion Centre (GIPC) Equity Threshold**

For JVs involving foreign partners, the Ghana Investment Promotion Centre (GIPC) mandates that the foreign entity must satisfy specific minimum capital requirements, while the Ghanaian partner must retain at least 10% equity participation.

c. **Management and Control**

A JV Agreement must specify the exact structure of the JV and the responsibilities of the parties regarding the management of the project

d. **Exit Mechanism**

It is essential for a JV Agreement to detail how and when the JV will end. Usually, it is in the best interest of the parties to make the dissolution of the JV as economical as possible (i.e., avoid legal fees, etc.).
In addition, the JV agreement must also list out all the events that might allow one or both parties to trigger a premature dissolution of the JV.

3. Protection Against Title Disputes

Land litigation is always a serious hurdle in Ghana. Before any construction begins, the JV must verify title authenticity and build protections against budget overruns.

There must be a clean search report from the Lands Commission to prove the land is free from overlapping claims or family disputes.

4. Regulatory Compliance & Stamping

a. **The Stamp Duty Act**

Under Ghanaian law, any executed JV agreement must be properly stamped, and the necessary **stamp duty must be paid to the Ghana Revenue Authority (GRA)** to be admissible in a court of law.

b. **Corporate Registration**

If the JV is operating as a new legal entity, it must be fully incorporated with the Registrar of Companies before applying for necessary municipal business operating permits etc.

6. Conclusion

Joint ventures are the most effective way to unlock prime real estate and accelerate corporate market entry in Accra and beyond however a successful venture requires alignment from day one.

By locking in asset splits, strict land due diligence, and protective legal clauses under Ghanaian law, there is assured a win-win situation for the parties involved.