



# THE ADVENT OF THE PARTNERSHIP LAW IN RWANDA

## A FRESH BREATH FOR BUSINESSES



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# INTRODUCTION

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The Republic of Rwanda enacted for the first time a Law governing partnerships (**Law N° 008/2021 of 16/02/2021**) (“**the Law**”). This Law defines partnerships as a relationship between two or more partners carrying on a business in common with a view to making a profit under a partnership.

Rwanda has been making significant strides in developing its legal system, enacting several laws, to promote economic growth, including the partnership law. This law provides a framework that governs the formation, management, and dissolution of partnerships between individuals and businesses. The partnership law has played a significant role in enhancing the business environment in Rwanda and has encouraged international investors to invest in the country. This essay will discuss the partnership law in Rwanda, its provisions, and its impact on the business environment

## I. TYPES OF PARTNERSHIPS

The law provides for three types of partnerships: a General partnership in which all partners have unlimited liability for all the liabilities of the partnership; b. Limited partnership which has one or more partners each with unlimited liability for the debts of the partnership and one or more partners each with limited liability to the contribution in the share capital made by such a partner; and c. Limited liability partnership in which the liability of the partners for the debts of the partnership is limited to their capital contribution.

It also covers foreign partnerships defined as partnerships formed in a foreign country and registered and carrying on business in or from Rwanda. However, a partnership formed in a member state of the East African Community and partnerships from countries having relevant agreements with Rwanda are accorded national treatment. With regard to the legal status of a partnership, a limited liability partnership is an entity with a legal personality unlike general and limited partnerships.

## II. FORMATION OF PARTNERSHIPS

Two or more partners may form a partnership by filling a statement of partnership existence as provided by the Registrar General and by complying with the provisions of the Law on Partnerships. A partnership may be formed for a fixed term, for a single adventure or undertaking, or for an indeterminate duration.

A partnership registered in Rwanda has full capacity and rights to undertake any business activity and do any act relating to its mission.

### III. MODALITIES FOR FORMATION

When a partnership has legal personality, a partnership agreement has a binding force between the partnership and each partner, and between the partners themselves. It is thus capable of suing and being sued in its own name.

When a partnership has no legal personality, the partnership agreement is a binding contract between the partners only. All the partners, other than limited partners, must be parties to a court action.

### IV. THE PARTNERSHIP AGREEMENT

The Law has listed the elements that have to be included in a partnership agreement as follows:

- 1) The name and address of the partnership;**
- 2) The type and duration of partnership;**
- 3) Names of partners;**
- 4) Business activity;**
- 5) Capital contributions of partners;**
- 6) Compensation of partners;**
- 7) The management of partnership;**
- 8) Conditions under which new partners are admitted into the partnership where so provided by the partners;**
- 9) Modalities for sharing profits and losses;**
- 10) Dispute resolution mechanism;**
- 11) Modalities for ceasing to be a partner; and**
- 12) Rights to be conferred to a third party where necessary.**



A partnership agreement has a binding force between the partnership and each partner, and between the partners themselves in case that partnership has legal personality. In the instances when a partnership has no legal personality, the partnership agreement shall be a binding contract between the partners only. Notably, the partnership agreement may be amended by a written document signed by the partners in accordance with the provisions of the partnership agreement.

## V. PARTNERSHIP NAME

With regard to the partnership name, the name of a general partnership must end with the words “**general partnership**” or the abbreviation “**GP**”, a limited partnership must end with the words “**limited partnership**” or the abbreviation “**LP**”, a limited liability partnership must end with the words “**limited liability partnership**” or the abbreviation “**LLP**” and the name of a partnership which has legal personality must also include the word “**Separate**” or the abbreviation “**S**” before the end word, that describes the type of partnership.

The Law lists three instances where a partnership will not be registered: no partnership may be registered under a name which is identical to that of an existing partnership, company or statutory corporation or that nearly resembles that name that is likely to mislead. An exception to this is where the existing partnership, company or statutory corporation is in the course of being dissolved and gives its consent in a manner required by the Registrar General: Secondly, if the name is identical to a business name registered or so nearly resembles that name that is likely to mislead and thirdly, a name which, or the use of which, would contravene the law or the good morals of the Country.

## VI. CERTIFICATE OF PARTNERSHIP

A certificate of partnership registration is evidence that all requirements of this Law in respect of registration have been complied with and indicates that the partnership has been duly registered under the Partnership Law on the date of registration stated in the certificate in a form prescribed by the Registrar General.

## VII. THE UNIQUE FEATURES OF EACH TYPE OF PARTNERSHIP

This novel law has properly catered for the features of each form of partnership. Some of the aspects of each type of partnership it broadly discusses are: capital contribution, duties and rights of partners, admission into partnership and ceasing as partner, dismissal as partner, and the management, accounting and liability of each partnership, among others.

## VIII. WINDING UP AND DISSOLUTION OF PARTNERSHIPS

The Law has also provided for common provisions on winding up and dissolution of partnerships. Winding up of a partnership may be either voluntary or by order of a competent court. These two methods will lead to a partnership’s dissolution which will be effected by a resolution agreed upon by all the partners submitted to the Registrar General expressing their intention to dissolve the partnership.

The final chapter of this law provides for Faults and Sanctions, Offences and Penalties in the course of carrying out a partnership business. Partnerships offer more advantages including ease in establishment, low startup costs, availability of more capital for the business, greater borrowing capacity, high-calibre employees can also have the opportunity to be made partners. It is equally easy to change a legal structure of the partnership later in case of change of circumstances. The Law on Partnerships will ultimately have a resultant positive effect on the economy. It will also continue to ease the doing of business in Rwanda by according business people with more choices in selecting the business model they prefer.

## CONCLUSION

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In conclusion, the partnership law in Rwanda is a significant development tool in the country's legal system that aims to promote business partnerships and encourage entrepreneurship. This law allows individuals to form partnerships and operate businesses together, providing a legal framework for their operations. It also sets out regulations and guidelines for the management of partnerships, ensuring fairness and transparency in business operations. As a result, this law has and will play an essential role in improving the business environment and promoting socio-economic development in Rwanda.

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David is a highly motivated, ambitious Advocate who strives for excellence in his work and enthusiastically encourages and support others through team-work to achieve/accomplish common objectives to the best extent possible. He is a business law practitioner with specialization in corporate and commercial law practice, contracts, banking law and finance, securities, investment, tax, Intellectual property prosecution and enforcement, employment, and debt recovery.

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