Joint venture, or joint venture agreement, is generally a way to combine the strengths of multiple business partners, while avoiding the administrative formalities that are often necessary when starting a business.

Such a contract usually involves pooling funds to implement a project. After the completion and reaching the goal set by the investors together, the profit is shared, and often the losses.

The joint investment usually lasts as long as a certain project lasts, after which the cooperation ends, although in certain cases the partners can continue to cooperate by establishing a joint company.

Foreign Investment Advisor Milan Kovacevic says in an interview with Biznis.rs that joint investment agreements can be very useful if the partners agree in advance on goals, use of joint resources, but also sharing risks and responsibilities.

“Before entering into such a partnership, the market should be assessed, but also how profitable or risky the investment is. This notion of joint investment in our country has ceased to be used since the introduction of the notion of equity investment, especially foreign. In our country, joint investment existed while the social property was current, then we limited foreign investment as a joint venture. Now, when we talk about joint investment, we should talk about the joint investment of domestic and foreign owned investors,” Kovacevic explains.

Our interlocutor believes that the notion of joint investment applies only to foreigners, because the current government aims to attract foreign investment.

“Somehow, our entire policy is focused on foreigners. In the beginning, that could be understood because the idea was for foreigners to have easier access to the market. They also have technologies, so an investment could be realized faster and easier if it was exclusively a foreign investment. However, care should have been taken to encourage domestic entrepreneurship, that it is necessary to adopt technology and that we should also learn about the way in which world markets function,” Kovacevic said.

He points out that it is a great pity that there were no attempts at all to condition the foreign investments on the domestic part of the investment.

“The state did it only in big projects, and very unsuccessfully. Fiat is a joint venture in which Serbia has one third, but we have given much more. “Belgrade Waterfront” is also a joint investment with the Emirates, where we have one third, and we are much more in that case as well,” states Kovacevic.

In the case of a joint venture agreement, care must be taken that both parties receive earnings or share losses in proportion to the capital they have invested.

“The desire to enter a foreign market can often be a decisive factor for a company to enter into a joint venture. In case the company wants to expand its network to other markets, you can enter into a joint venture with a local distributor from abroad who is well acquainted

with distribution channels, as well as the local market," said the foreign investment adviser. One of the advantages of a joint venture is that a larger number of investors involved in the project means lower costs for each of them, as well as possible losses.
"Also, the good side of joint investments is the limited duration of such a partnership, because neither side has the obligation of permanent bonding in a business relationship. In that way, everyone has the opportunity to leave the endeavor after the completion of a certain project. On the other hand, if the first project meets expectations, nothing prevents the participants from turning it into a permanent partnership," concludes Milan Kovačević, Biznis reports.