



6 Essential Clauses in a Business Agreement

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Business entities need agreements to ensure that providers of goods and services are legally bound. Having a written agreement ensures that there is a reference point. Every agreement should be tailored to suit the individual needs for each business, but below are essential clauses that should be present in every agreement.

1 Identification clauses

Identification clauses identify the parties to the contract and their addresses.

2 Scope and role of parties

For service provision agreements, this will usually cover the range of services to be provided while for provision of goods, this will cover the description of the goods. These are critical clauses since they identify the role of the client/ buyer and service provider/ seller and the manner in which the services will be provided. Including these clauses is usually meant to enable the parties identify any form of breach as well as determine the amount of consideration for each completed work. This should be precise so as to ensure that each party knows their role and is prepared to make additional payments in case the services/ goods supersede the initial scope.

3 Consideration

This clause addresses the mode and time of payment for the services or goods. It is also one of the clauses that determine breach related to non-payment.



4 Term

The term-clause defines the period within which the agreement or transaction ought to start and end. It could be open-ended in that it ends when each party has finished performing their roles or where each party is expected to exercise reasonableness in performing their duties. It could also be definite by giving the exact dates or number of days within which the transaction needs to be completed. It could also be used to determine breach where either party does not adhere to the set out timelines.

5 Termination

Termination clauses determine the circumstances under which the contract may come to an end. This is because any party who no longer wishes to be bound

by the contract may opt out. This will usually include clauses such as voluntary termination, termination by expiration of time, termination by force majeure (act of god) and termination as a result of any breach. A termination clause should also provide for consequences and rights of each party upon termination.

6 Dispute resolution

Disputes are likely to arise in any form of contract or transaction. It is advisable to specify what amounts to a dispute and the mode of resolution. Other clauses that fall under this category include interpretation clauses, the laws applicable and the method of dispute resolution to be applied by the parties.