**SMART CONTRACT**

In today’s world, the rapid advancement in technology has made life easier and brought a change in the traditional way of doing things. Many people in the world are embracing the use of online services for shopping household items, groceries, buying airline tickets, paying for services and even setting up their legal agreements without requiring the services of a lawyer. Rwanda for instance allows individuals to sit at the comfort of their homes and register their companies online.

Supposedly you are planning on selling your property (let’s say house). Selling such a property can be somewhat sophisticated as it requires paperwork, finding buyers, advertising the property, etc etc. As a result of this, lot of property owners would prefer to engage the services of a real estate agent who will deal with the complicated process from the paperwork to finding the prospect buyer as the estate agent provides escrow services that usually comes in handy. Once the estate agent is able to sell the property successfully, his/her services must be compensated with a fee and their service fee can somewhat be a burden to the property owner.

Smart Contracts then becomes useful in such circumstance where the ownership of the property can be passed directly to the buyer once the agreed price has been received in the system. There wouldn’t be any need for a middleman (estate agent) because both the money and the ownership right are stored in the system. In addition to this, the transaction is verified by lots of people which ensures safety and guarantee.

**What then is Smart Contract?**

Smart contract is a computer program or code that automatically monitors and executes an agreement on a blockchain based platform and its contractual terms are usually in computer language. Transactions in a smart contract occurs only when the terms and conditions in the agreement are met and are enforced by a protocol that is followed in the entire network.

**How Does Smart Contract Work?**

Smart contract automatically executes an agreement once the terms and conditions of that agreement are met. Smart contract works on blockchain based platforms that are decentralized which are not controlled and manipulated by any third party. Blockchain platforms are shared database that are owned lots of people and run by many computers called nodes, and as a result of this, it would be impossible to hack it.

This is how it works; let’s say John Doe wants to buy William’s car. The contract agreement is formed on a bitcoin blockchain using a smart contract and the agreement is between John Doe and William. Once the smart contract agreement has been put in place and John Doe pays the agreed price, the ownership of the car passes directly to him once the agreed price has been received in the system. It is to be noted that without smart contract, William would have paid for the services of brokers.

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**Can a Smart Contract be Legally Enforceable?**

In order for smart contract to be legally enforceable, it must meet all the elements of a binding paper contract. A smart contract is a form of one-sided promise that is fulfilled once a computer program receives certain instructions and its contractual terms are encoded in computer language instead of the legal language. Even though it has contract in its name, in my opinion, a smart contract is not strictly a contract because it does not satisfy the full elements required for the formation of a contract. However, the fact that the contract was made electronically does not make it invalid if all the other contractual elements are present.

**Types of Smart Contract**

The types of known smart contract are as follows;

1. Natural language contract with some functions encoded in digital form. This is a normal contract on paper and written in a natural language such as English. However, some of the functions such as payment will be automated;
2. Natural language contract with encoded performance mechanism. This is also a contract on paper. However, the automation is not limited to simple functions like payment. Some performance of the contractual obligations may be automated on a digital platform to carry out itself;
3. Contract in code but supplemented by a document in natural language. The contractual terms might be in code, but they are supplemented by a schedule that is in a natural language like English; and
4. Contract that is entirely in code and executed without human intervention. This is code that is legally recognized and enforceable on its own basis with no natural language to supplement it.

It is alleged that smart contract might bring an end to the legal profession. Contrary to this smart contract would rather increase the work load of lawyers as lawyers are the right personnel’s responsible for ensuring compliance related issues within the blockchain domain and also see to it that the individuals responsible for setting up all blockchain platforms do so in accordance with the arrangement agreed between the parties.

**About the Author.**

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