In Vietnam, more than 90 percent of the close to 95,000 women-owned small to mid-size enterprises (SMEs) are small and micro-scale. In the coffee supply chain, women-owned SMEs are responsible for 70 percent of growing and harvesting. But despite that, women-led businesses account for a small fraction of the country’s exports.

Many international trade agreements contain provisions designed to encourage the participation of SMEs. The EU has free trade agreements (FTAs) with individual countries throughout the world. Beyond the usual Chapter providing for preferential tariff treatment, these agreements also often include clauses on trade facilitation and rule-making in areas such as investment, intellectual property, government procurement, technical standards and sanitary and phytosanitary issues. However, these trade agreements often require firms and countries to provide complex documentation citing the origin and content of their products.

Small firms are not normally equipped with the legal knowledge or financial capacity to comply, and as a result, they often miss out on opportunities specifically designed to benefit them. Women-owned firms are particularly at a disadvantage, as they face even greater obstacles such as access to finance, legal resources or information than their male counterparts. And for the Vietnam government to consider developing a national monitoring and risk assessment system within the framework of the EU responsibilities, it needs to provide secure and accessible solutions.

Technology can offer a solution to these obstacles. As part of the pilot program in Vietnam, the World Bank Group tested ways that blockchain could make it easier for women-led firms to participate in international trade, access finance, attract new buyers, and get paid faster.
The World Bank Group pilot program used a blockchain prototype and provisional smart contract to see how this concept could work on the ground. In Vietnam, there are 95,906 women-owned enterprises which could benefit.

It tested two ideas i) Can blockchain carry information about the product and the entities involved across the supply chain? ii) Can small businesses and entrepreneurs in the supply chain use transaction histories to develop business profiles that can serve as collateral to access finance and as a business development tool?

Blockchain can be used to carry information about a product, its progress through a supply chain and the businesses involved from the product’s origin to its destination in another country. A “smart contract” at the border would match this information with the appropriate trade agreement provision and apply appropriate trade preferences. At minimum, using blockchain in this way eliminates the need for complicated paperwork.

The team developed a user prototype and provisional smart contracts to evaluate what would work. The prototype, which was developed after interviews with local counterparts and through a workshop in Ho Chi Minh City which was attended by over 175 public and private stakeholders, showed how regulations can be integrated in the blockchain and executed as smart contracts with minimal action required from the supplier.

Blockchain provides businesses with digital transaction data that archives products they have sold. This can help entrepreneurs develop business profiles that add to their legitimacy. Businesses can use these transaction histories as collateral or proof of their operations to financial institutions as they seek access to finance.
The pilot showed that developing blockchain applications with a focus on gender can level the playing field between men and women in international trade, thus alleviating some challenges faced by women business owners. Leveraging blockchain to empower women can be achieved in two mutually-reinforcing ways:

(i) Mainstreaming gender considerations within every blockchain application, from the development of the technology to its implementation

(ii) Developing gender-focused blockchain applications aim at alleviating the challenges faced by women actors

Future Impact:

Leveling the playing field between men and women in international trade

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New jurisdiction codes

The Vietnam government may decide to develop a national monitoring and risk assessment system to mitigate fraud cases within the framework of the EU responsibilities:

(i) By providing the competent authorities a secure and low-cost way to extract individual batch origin information for each exported good for the 3-year period as required by the EU-Vietnam FTA;

(ii) Opportunity to conduct reconciliation for end-of-period total quantities exported per authorized exporter or region;

(iii) Opportunity to improve feasibility and accuracy of profiling small exporters, leading to potential reductions in physical inspections required.

Farmers

The research uncovered that virtually no farmers export directly to the European market. The decentralized nature of the blockchain-backed system could offer profiling capabilities that allow individual ‘actors’ like farmers to build credibility over time with responsible exporting and importing authorities.

Government as a platform

An important lesson from the World Bank’s pilot program was the notion of government as a platform. Digital, disruptive technologies – including blockchain – derive their power from scale and collaboration, and that includes collaboration among machines. That would create trust in the contracts and remove time-consuming technical work.