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EVALUATING THE ROLE OF EXPORT CREDIT AGENCIES AND MULTILATERAL TRADE FINANCING INSTITUTIONS ON GLOBAL TRADE

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Abstract

The aim of this study is to evaluate and assess the role of Export Credit Agencies (ECAs) and Multilateral Finance Institutions (MFIs) (proxy for Multilateral Trade Financing Institutions) on global trade, providing credit, guarantees, and risk-mitigation instruments that enable importers and exporters to transact in high-risk or liquidity-constrained markets. This study applies a mixed-methods approach combining content analysis of institutional reports, case studies, and empirical findings to evaluate their impact on international trade. Evidence at the firm level demonstrates that ECA interventions significantly increase export probability, transaction survival, and employment by alleviating financing frictions. Case studies, such as the temporary shutdown of the U.S. Export-Import Bank and the large-scale expansion of China's Sinosure, highlight the catalytic as well as distortionary potential of ECAs. Similarly, MFIs such as the International Finance Corporation and the Multilateral Investment Guarantee Agency have played counter-cyclical roles during crises, mobilizing private-sector participation through trade-guarantee programs and infrastructure financing. However, aggregate effects remain heterogeneous, with concerns over crowding out, fiscal risks, and environmental externalities (OECD, 2023). Persistent global trade-finance gaps—estimated between US$2–2.5 trillion annually underscore the need for targeted, additional, and risk-sharing interventions. Lessons for emerging economies, including Nigeria, emphasize SME-focused instruments, blended finance models, trade-facilitation reforms, and ESG-sensitive conditionalities to maximize developmental impact. Overall, ECAs and MFIs remain indispensable in sustaining global trade flows, but their effectiveness depends on governance, additionality, and integration with broader policy reforms.

Keywords

Export Credit Agencies, Multilateral Trade Financial Institutions, Global Trade, Emerging Economies.

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1.0 INTRODUCTION

Trade depends critically on access to finance, which takes the form of working capital, pre-shipment credit, buyer credit, guarantees, and insurance facilities. When private banks under-supply trade credit due to information asymmetries, contractual frictions, or heightened country risk, public institutions step in to close the financing gap. These institutions include Export Credit Agencies (ECAs) such as national export import banks and credit-insurance agencies, as well as Multilateral Development Banks (MDBs) and institutions such as the International Finance Corporation (IFC), World Bank, and regional MDBs. By providing loans, guarantees, insurance, and risk-sharing facilities, these actors sustain trade flows that may otherwise collapse (Auboin & Engemann, 2013; World Bank, 2011). The theoretical framework underpinning this intervention combines Melitz-type firm heterogeneity models with financial-friction perspectives. Credit constraints limit both the extensive margin (the number of firms exporting) and the intensive margin (the volume exported per firm). Consequently, when ECAs or MDBs relax export-specific financing frictions, more firms enter export markets, and existing exporters expand sales, with spillovers into productivity and employment growth (Manova, 2013).

Three central mechanisms explain how ECAs and MDBs influence global trade. First, the liquidity channel provides exporters with immediate working capital through pre-shipment and buyer credit. Second, the risk-mitigation channel reduces cross-border default risks through insurance and guarantees, which in turn crowd in private banks. Third, the market-creation channel allows subsidized or tied finance to help firms penetrate risky or unfamiliar markets, functioning as an implicit form of industrial policy. The empirical evidence consistently shows that financially constrained exporters and those trading with risky destinations benefit disproportionately from these channels (Manova, 2013; Matray, Müller, Xu, & Kabir, 2024).

Evidence since 2000 revealed both positive and contentious findings. At the firm level, Manova (2013) showed that financial frictions significantly depress exports, with constrained firms disproportionately affected. At the institutional level, quasi-natural experiments such as the U.S. EXIM Bank shutdown (2015–2019) provide causal evidence: firms reliant on EXIM support experienced large declines in exports, revenue, investment, and employment, confirming that ECAs can generate real, non-trivial trade and growth effects (Matray et al., 2024). At the macro level, however, the evidence is more mixed. Studies have found that while ECAs boost exports in the short run, they may crowd out private lending and fail to generate persistent GDP or employment effects, raising concerns about long-run efficiency. Similarly, World Bank and IFC diagnostics show that while MDB programs address trade-finance gaps, their effects remain uneven across regions, particularly in Africa and fragile states (World Bank, 2011; Dornel, Engel & Malouche, 2021; IFC, 2022). Also, during the 2008–2009 Global Financial crisis and the COVID-19 pandemic, trade finance contracted sharply. Studies showed that MDB interventions and ECA risk-sharing programs were crucial in restoring liquidity, suggesting a counter-cyclical role for these institutions (Auboin & Engemann, 2013; WTO, 2024). Yet, even outside crises, persistent trade-finance gaps

estimated at over USD 1.5 trillion globally reflect structural limits of both private and public supply.

The extant literature revealed heated debates. For example, proponents argued that ECAs correct market failures and enable SMEs and high-risk exporters to access otherwise unattainable markets, producing tangible welfare gains (Matray et al., 2024). Critics counter that ECAs may serve as "corporate welfare," subsidizing large firms that would have exported anyway, while distorting competition and misallocating capital. Empirical results are inconclusive: micro-level causal studies generally find strong positive effects, whereas macro-level panel studies report weaker or ambiguous outcomes. Many cross-country studies rely on aggregate ECA flows and exports, which may suffer from endogeneity bias. More recent natural-experiment approaches improve causal inference but often rely on single-country evidence, limiting generalizability. Another point of debate concerns the role of MDBs versus ECAs: while MDBs prioritize untied, development-oriented support with systemic risk-sharing goals, ECAs frequently pursue national industrial policy objectives and tied financing. This divergence raises normative questions about whether trade finance should primarily serve global development or domestic strategic interests (World Bank, 2021; IMF, 2023). Persistent gaps in trade-finance supply, particularly in emerging and developing economies (EMDEs), remain a pressing challenge. Post-2008 regulatory tightening (e.g., Basel III, anti-money-laundering requirements) increased compliance costs, reducing correspondent banking relationships and disproportionately affecting small traders (ICC, 2018; IMF, 2020). Limited data transparency further complicates global monitoring of ECA/MDB effectiveness, while environmental, social, and governance (ESG) standards and tied-finance practices continue to spark disputes over equity and development impacts (OECD, 2022).

Therefore the objectives of this study are to; evaluate the impact of Export credit agencies (ECA) on import and export globally; assess the role of multilateral finance institutions on import and export globally, and draw lessons for global trade impact on macroeconomic stability in Africa.

2.0 LITERATURE REVIEW

Global trade has experienced significant recovery and transformation in recent years, supported by ECAs and international financial institutions. In 2024, world merchandise exports were valued at approximately US$24.43 trillion, while commercial services exports reached US$8.69 trillion, bringing total trade close to US$33 trillion (WTO, 2024). China maintained its position as the world's largest goods exporter, accounting for around US$3.58 trillion, while the United States led in services exports with about US$1.08 trillion (UNCTAD, 2024).

Asia remained the strongest driver of global trade growth in 2023–2024, with exports from China and East Asia dominating the expansion. Projections by the World Trade Organization (2024) suggest that Asia will continue to serve as the primary engine of trade growth in

2025–2026, though risks from tariffs and geopolitical fragmentation are expected to moderate its overall contribution. North America's imports and consumer demand bolstered 2024 trade flows, but revised 2025 forecasts indicate a potential slowdown, with the region subtracting an estimated 1.7 percentage points from world merchandise trade growth under adjusted tariff scenarios (WTO, 2024). Meanwhile, Europe, led by the EU and UK, recorded exports of around US$2.8 trillion in 2024, although intra-EU trade weakness driven by declining industrial demand and volatile energy prices dampened overall performance (OECD, 2024).

In Africa, merchandise exports for Least Developed Countries (LDCs) rebounded to approximately US$275 billion in 2024. However, the continent's share of global trade remains small, and growth is uneven, with commodity-dependent economies and emerging manufacturing hubs facing distinct trajectories. Diagnostics by the International Finance Corporation (IFC) and World Bank highlight that constrained access to trade finance continues to be a binding challenge for African firms (World Bank, 2024). Reflecting this need, the World Bank Group committed about US$117.5 billion in FY2024, with Africa receiving nearly US$38 billion. Within this, IFC recorded an all-time high of US$56 billion in commitments, scaling up its trade finance activity during and after the COVID-19 crisis. Notably, IFC trade-finance commitments peaked at US$9.7 billion in FY2022 and rose further in FY2023, exceeding US$16 billion according to monitoring reports (IFC, 2023).

Export credit agencies (ECAs) also played a critical role in stabilizing trade flows. In 2023, official export credit and related trade finance activity totaled approximately US$181.7 billion, reflecting a post-pandemic recovery though still below certain pre-2020 peaks (OECD, 2023). China's ECA activity, in particular, has historically reached very high levels, peaking in the late 2010s. Despite these efforts, the global trade-finance gap persists, estimated between US$2 trillion and US$2.5 trillion in recent analyses (ICC, 2023). The gap disproportionately affects SMEs and firms in emerging markets, particularly in Africa and LDCs. Key structural drivers include the retreat of correspondent banks post-2015, rising compliance costs linked to KYC/AML frameworks, higher capital requirements for trade exposures, and uneven digitalization of trade documents (BIS, 2023; OECD, 2023).

Empirical evidence underscores both the benefits and the limitations of ECA and MDB interventions. Firm-level studies find that guarantees, buyer credits, and export-credit support increase trade volumes and sustain activity, particularly for financially constrained exporters operating in high-risk destinations (Matray et al., 2024; Heiland, 2021; Hur & Yoon, 2022). At the macro level, however, results are mixed: while short-term exports tend to rise, long-run effects on GDP and employment are less robust, raising debates around additionality and the potential crowding out of private finance (OECD, 2023; WTO, 2024). During crises such as the 2008–2009 financial crisis and the COVID-19 pandemic, MDBs and ECAs proved counter-cyclical by restoring trade finance flows, though questions remain regarding the sustainability and targeting of these interventions (World Bank, 2024).

Overall, while global trade has rebounded impressively, sustaining growth requires addressing persistent trade-finance gaps, particularly in developing regions. The empirical gaps such as limited cross-regional evidence outside OECD countries, insufficient firm–

bank–ECA matched data in emerging markets, and the need to measure ESG-linked trade outcomes present important areas for future research. Filling these gaps is essential to evaluate the true additionality of ECAs and MDBs in fostering inclusive and sustainable global trade.

2.1 Theoretical Framework

Globalization, as a theoretical construct, has been conceptualized across multiple disciplines, including economics, sociology, and political science. Early economic theories of globalization are rooted in **classical trade theory**. Adam Smith's *Wealth of Nations* (1776) introduced the principle of absolute advantage, suggesting that trade across borders enhances efficiency when countries specialize in goods they produce most efficiently. David Ricardo (1817) extended this logic with the theory of comparative advantage, assuming perfect competition, free trade, and immobile factors of production across countries but mobile within them. These classical models laid the foundation for globalization by framing it as a process driven by market forces and trade liberalization.

In the 20th century, globalization was further explained through **modernization theory** (Rostow, 1960), which assumed that economic growth follows a linear trajectory from traditional to modern societies, with integration into global markets acting as a catalyst for development. This perspective emphasized industrialization, capital accumulation, and the diffusion of Western institutions as essential drivers of global integration. However, it was later criticized for being Eurocentric and neglecting historical inequalities among nations (Frank, 1969).

A contrasting perspective is found in **world-systems theory** (Wallerstein, 1974), which views globalization not as a neutral process but as a hierarchical structure of core, semi-periphery, and periphery economies. Wallerstein assumed that global capitalism inherently reproduces inequality, with core nations exploiting peripheral regions through labor and resource extraction. This framework challenged the modernization assumption of convergence, arguing instead that globalization deepens dependency and asymmetries between developed and developing economies.

From a cultural standpoint, **global culture theory** (Robertson, 1992) analyzed globalization as a process of intensifying interconnectedness, identity negotiation, and cultural hybridization. It assumes that while global forces promote homogenization, they simultaneously provoke local resistance and differentiation, a dynamic Robertson termed "glocalization." This cultural lens highlights the multidimensional character of globalization beyond economics and politics.

Critics of globalization theories raise several concerns. Classical economic models have been criticized for assuming frictionless trade and ignoring institutional and distributional issues (Stiglitz, 2002). Modernization theory has been faulted for its deterministic and Western-centric bias. World-systems theory, while influential, has been critiqued for structural determinism and limited recognition of agency at the national and firm level (Evans, 1979).

Cultural globalization theories have also been challenged for overstating convergence, as empirical evidence shows persistent cultural fragmentation and identity-based conflicts (Tomlinson, 1999).

Overall, the theoretical frameworks of globalization reflect divergent assumptions and disciplinary origins. Classical and modernization approaches portray globalization as an engine of growth and integration, whereas dependency and world-systems theories view it as perpetuating inequality. Contemporary cultural approaches highlight hybridity and contestation. This theoretical diversity underscores the complexity of globalization and provides the foundation for analyzing its implications on trade, finance, and development.

2.2 Empirical Review

The role of export credit agencies (ECAs) and multilateral trade finance institutions (MTFIs) in shaping global trade has been widely studied in the literature, with substantial debates around their effectiveness, crowding-out risks, and developmental impacts. Manova (2013) provides a foundational theoretical framework, integrating firm heterogeneity with financial frictions, showing that exporters are disproportionately affected by credit constraints and that financial shocks reshape trade flows. This study suggests that public trade finance can ease such frictions, a finding supported by Paravisini et al. (2015), who use matched bank-firm data to show that credit supply shocks significantly reduce exports, particularly for firms dependent on specific banks. Similarly, Amiti and Weinstein (2011) demonstrate that the deterioration of bank health during crises directly curtailed exporters' sales, highlighting the channel through which trade finance shortages transmit macroeconomic shocks.

Empirical work on ECAs further underscores their relevance. Felbermayr and Yalcin (2013), using German sectoral data, find that public export credit guarantees increase exports, especially in finance-dependent industries. Heiland (2021) adds nuance by showing that guarantees are most effective in high-value transactions and when financial conditions are tight, reinforcing their role as countercyclical stabilizers. Recent quasi-experimental evidence by Matray, Müller, Xu, and Kabir (2024) on the U.S. Export-Import Bank (EXIM) provides compelling causal evidence: when EXIM's charter lapsed, supported firms and sectors experienced sharp declines in exports, revenues, and employment, demonstrating the real economy effects of ECAs. Similar causal evidence from Korea (Hur & Yoon, 2022) and Sweden (Dolgiy, 2015) confirms that public export credit supports enhance exports and firm performance, though the magnitude and channels vary across contexts.

At the multilateral level, institutions such as the World Bank, International Finance Corporation (IFC), and World Trade Organization (WTO) emphasize the countercyclical role of trade finance during crises. The World Bank (2011) shows that the trade collapse of 2008–2009 was amplified by shortages in trade finance, while its interventions through guarantees and liquidity facilities supported recovery. Auboin and Engemann (2013) further stress that trade finance is highly procyclical, and that MDBs and ECAs provided critical liquidity during the global financial crisis. More recently, Dornel, Engel, and Malouche (2021) show that during COVID-19, MDBs expanded innovative trade finance tools, including

digitalization and blended risk-sharing, though gaps in low-income countries persisted. IFC (2022) also documents how targeted interventions in West Africa could raise trade volumes by 8–16%, emphasizing the catalytic potential of MDB support.

Despite these positive findings, debates persist. Critics argue that ECAs may crowd out private finance or subsidize infra-marginal exports that would have occurred without support (Buono & Formai, 2014; OECD, 2019). Others highlight governance and ESG concerns, with NGOs such as Urgewald (2024) arguing that IFC trade finance commitments still disproportionately support fossil fuel sectors, undermining climate goals. Structural challenges also remain: ICC's (2020) surveys reveal persistent trade finance gaps in emerging markets, driven by compliance burdens and correspondent banking retreat, while BIS (2013) stresses systemic banking and regulatory bottlenecks as root causes of these shortages.

Taken together, the literature provides strong micro-level evidence that ECAs and MTFIs enhance exports, especially for credit-constrained firms and during crises, but macro-level debates continue on their long-term developmental impact, potential distortions, and environmental trade-offs. This tension defines the central research gap: while firm- and sector-level effects are well-documented, less is known about how ECA and MDB interventions interact with structural constraints, regulatory frictions, and inclusiveness objectives in global trade between 2000 and 2024. Addressing this gap is crucial for designing policies that maximize trade-finance effectiveness without exacerbating misallocation or ESG risks.

3.0. METHODOLOGY AND DISCUSSION

This study utilizes evaluation and assessment method. **Evaluation** refers to the systematic process of determining the merit, worth, or significance of a program, policy, or intervention using explicit criteria and evidence-based analysis (Patton, 2008). It involves examining both processes and outcomes to establish whether stated objectives have been achieved. Evaluation is particularly relevant in policy-oriented studies as it not only measures effectiveness but also informs decision-making and future policy design.

Assessment method, on the other hand, refers to the tools, techniques, or strategies used to gather, analyze, and interpret data in order to evaluate the performance or impact of a given phenomenon (Babbie, 2020). Assessment can be quantitative using econometric models, statistical analysis, and measurable indicators or qualitative using interviews, content analysis, and case studies. In research, assessment methods are justified when they provide reliable, valid, and contextually appropriate measures of the subject under study.

In the context of the study titled *Export Credit Agencies and Multilateral Finance Institutions on Global Trade*, the use of **evaluation and assessment methods** is justified on several grounds. First, ECAs and MFIs play a critical role in providing trade finance, guarantees, and risk-sharing mechanisms that directly affect trade volumes, firm-level performance, and crisis recovery (Heiland, 2021; Matray, Sachs, & Stein, 2024). Evaluating their impact requires systematic assessment of whether their interventions reduce the global trade-finance gap,

estimated at US$2–2.5 trillion in recent years (ICC, 2023). Thus, evaluation ensures the study can move beyond descriptive statistics to provide evidence on effectiveness and additionality.

Second, an **assessment method** using both quantitative and qualitative approaches is appropriate. Quantitative methods, such as panel econometric models, enable measurement of causal effects of ECA and MFI support on trade flows, GDP, and employment. For example, matched firm–bank–ECA data can identify liquidity and risk-mitigation channels (Paravisini et al., 2015). Qualitative assessments, such as case studies of African or Asian economies, capture institutional dynamics and barriers like regulatory compliance costs (OECD, 2023). Together, these methods provide a holistic evaluation.

Therefore, evaluation and assessment are essential for policy relevance. Policymakers, trade financiers, and international organizations require robust evidence to determine whether ECA and MFI interventions are filling market gaps or crowding out private finance (Hur & Yoon, 2022). By systematically assessing both outcomes (e.g., trade volumes) and processes (e.g., accessibility for SMEs in LDCs), the study generates actionable insights into the role of international finance in sustaining global trade.

4.0 DISCUSSION OF FINDINGS

Objective One: To evaluate the impact of Export credit agencies (ECA) on import and export globally

Export Credit Agencies (ECAs) occupy a central place in contemporary trade finance, functioning as public or semi-public institutions that provide credit insurance, guarantees, direct loans, and buyer/supplier credit facilities to support cross-border trade. ECAs are explicitly designed to mitigate political and commercial risk that private insurers and banks will not assume, thereby enabling exporters to enter riskier markets and importers to access strategic goods and inputs under more favorable terms than might otherwise be available (OECD, 2023). Content-analytic reviews of policy documents, ECA annual reports and the OECD's Export Credits Group material indicate that ECAs operate with three interlocking rationales: (1) to promote national exports and employment through market facilitation, (2) to provide counter-cyclical liquidity during crises, and (3) to leverage private-sector finance by reducing risk through guarantees and risk-sharing instruments (OECD, 2023; OECD, n.d.). These rationales explain why ECAs have expanded in scale and scope in recent decades and why their activity tends to surge during global downturns and geopolitical shocks.

A mixed-methods content analysis of institutional reports (OECD, IFC), bank survey data (ICC Trade Register), and academic research reveals consistent empirical patterns. At the firm and transaction level, quasi-experimental studies using natural experiments or matched microdata find sizable real effects: for example, a recent study exploiting the temporary 2015–2019 shutdown of the US Export-Import Bank documents large negative effects on export volumes, revenues, investment, and employment among EXIM-dependent firms — estimating that every dollar reduction in EXIM finance led to several dollars' decline in exports for affected firms (Matray, 2024). Matched firm–bank designs and micro-level analyses (Paravisini et al., 2015) similarly show that credit provision and guarantees increase

the probability of exporting and expand trade volumes for financially constrained firms, indicating that ECAs can relieve liquidity and risk-transfer frictions that otherwise suppress trade. These micro-level findings support the claim that ECAs provide additionality at the transaction level, especially for smaller exporters and for trade with higher-risk destination countries (Paravisini et al., 2015; Matray, 2024).

At the aggregate and macro level the evidence is more heterogeneous. Cross-country panel studies indicate short-run increases in export flows associated with ECA activity in some contexts, but long-run macroeconomic benefits — measured by GDP growth, employment, or productivity — are less robust and sometimes ambiguous (OECD analyses; WTO commentary). Concerns revolve around crowding out (where public guarantees substitute for private lending rather than mobilizing new finance), fiscal contingent liabilities for governments, and support for infra-marginal projects that would have proceeded without public support. The literature therefore emphasizes heterogeneity: ECAs appear most effective where private finance is thin (small banks, frontier markets) and less effective in well-developed financial systems where private banks can supply trade credit (OECD, 2023; World Bank/IFC reporting).

Institutional data and case studies further illuminate these patterns. The US EXIM case demonstrates both the potency and risks of ECA programs: when EXIM's operations were curtailed, dependent exporters contracted, underscoring additionality in practice (Matray, 2024). By contrast, China's export-credit apparatus (including Sinosure and policy banking-backed schemes) has supported very large volumes of outward trade and investment, sometimes at a scale that raises concerns about market distortion and opaque fiscal exposure; national reporting and independent compilations indicate multi-trillion cumulative supports linked to Chinese overseas trade and investment programs (Sinosure reporting; EXIM analyses). The International Finance Corporation (IFC) and multilateral programs have played a complementary counter-cyclical role: IFC trade-finance commitments spiked during crises (IFC reported a record in trade-finance commitments at FY2022 levels and very sizeable FY2023 activity), mobilizing lines to banks in low-income and fragile contexts to sustain imports of critical supplies and exports (IFC, 2022; IFC, 2023). These institutional case studies illustrate the dual character of public trade finance — catalytic and protective in constrained markets, but potentially distortive when large scale and poorly targeted.

Data-driven diagnostics demonstrate persistent unmet demand that shapes the ECA policy debate. Biennial and industry surveys (ICC, ADB, GTNews summaries) estimate a global trade-finance gap commonly in the trillions (estimates often range from about US$1.5–2.5 trillion, with recent biennial surveys signaling around US$2–2.5 trillion depending on scope and methodology). This gap is concentrated among SMEs and firms in EMDEs, implying that ECA and MDB interventions could be welfare-enhancing if they are targeted, additional, and risk-sharing rather than crowding out private finance (ICC Trade Register; ADB/industry reporting). The IFC and other MDBs report that trade-finance programs have high leverage and can channel private bank participation through guarantees and lines, but watchdog analyses also flag that substantial portions of trade-finance flows have historically supported

carbon-intensive sectors, prompting debates over ESG conditionality and climate coherence in ECA/MDB portfolios (IFC reporting; NGO analyses).

Critically evaluating ECAs requires balancing several trade-offs. On the positive side, rigorous micro-evidence supports the contention that ECAs increase trade flows, stabilize supply chains during crises, and expand market access for SMEs facing perceived country-risk barriers (Matray, 2024; Paravisini et al., 2015). They can provide counter-cyclical liquidity when private banks retreat, thereby limiting deep trade collapses and preserving employment in export sectors (IFC, 2022). On the negative side, ECAs can create moral hazard, crowd out private-sector finance in some segments, expose governments to large contingent liabilities, and direct support toward politically favored sectors or firms rather than socially optimal projects (OECD, 2023; Urgewald/NGO critiques). There are also distributional and environmental concerns: without strong additionality tests and ESG conditionality, ECA support risks perpetuating trade in carbon-intensive commodities or supporting projects with limited developmental value (OECD, 2023; Urgewald, 2023).

Methodologically, content analysis of policy documents combined with quantitative evaluation yields robust insights. The recommended analytic protocol includes: (1) compiling ECA program-level cash-flow and "new business" statistics (OECD ECG data) and MDB commitment records (IFC/World Bank annual reports), (2) matching these with customs-level trade flows and firm-level balance sheets where available to run difference-in-differences and instrumental-variable specifications (paralleling Paravisini et al., 2015 and Matray's EXIM natural experiment), and (3) conducting case studies (e.g., EXIM shutdown, Sinosure expansion, IFC trade-finance scale-ups) to unpack institutional mechanisms and political economy drivers. This mixed approach enables rigorous identification of causal channels (liquidity vs risk reduction), assessment of additionality, and detection of crowding or reallocation effects across sectors and regions.

In conclusion, the scholarly assessment indicates that ECAs materially influence export and import trade at the transactional and firm levels, especially where private trade finance is scarce, and that they serve an important counter-cyclical function in crises. However, their macroeconomic and long-run developmental impacts are conditional on targeting, governance, and interaction with private finance; poor design can lead to crowding-out, fiscal risk, and environmental externalities. Future empirical work should prioritize matched firm–bank–ECA datasets across diverse EMDE settings, implement rigorous additionality tests, and integrate ESG outcome measures to ensure that ECA activity supports resilient, inclusive, and low-carbon trade.

Objective Two: Assess the role of multilateral finance institutions on import and export globally

Multilateral finance institutions (MFIs) have played a pivotal role in sustaining and shaping global import–export activity through a combination of direct finance (loans, guarantees, equity, and lines of credit), catalytic mobilization of private capital, and advisory interventions aimed at reducing trade costs and de-risking cross-border transactions. In

financial scale, the World Bank Group reported global commitments of approximately US$117.5 billion in FY2024, of which US$38.0 billion was allocated to Africa—an allocation that reflects MFIs' strategic emphasis on regions where trade-finance constraints are most binding (World Bank Group, 2024). Within this portfolio, the International Finance Corporation (IFC) alone committed a record US$56 billion to private firms and financial institutions, including expanded trade-finance and risk-sharing facilities such as the Global Trade Liquidity Program, designed explicitly to unlock import and export transactions in emerging markets (IFC, 2024). These headline figures demonstrate that MFIs not only operate at scale but also concentrate resources in lower-income and higher-risk economies, where market failures in trade finance are most severe and where commercial banks are reluctant to lend.

A content analysis of annual reports, program descriptions, and trade-finance surveys underscores three consistent channels through which MFIs affect global trade. First, liquidity provision—via credit lines and trade loans—enables exporters and importers to complete transactions, smooth seasonal fluctuations, and maintain production continuity. Second, MFIs supply risk-mitigation instruments such as partial credit guarantees, political-risk insurance, and supply-chain guarantees, which reduce counterparty risks and encourage private banks to underwrite otherwise excluded transactions (MIGA, 2024). Third, they deliver technical assistance and policy advice, ranging from customs modernization to trade digitalization initiatives, which lower transaction costs and improve the bankability of firms. For example, MIGA's issuance of billions of dollars in new guarantees for infrastructure projects, including ports and logistics corridors, has directly improved cross-border goods movement and indirectly supported export competitiveness (MIGA, 2024). Moreover, OECD (2024) reporting highlights the growing emphasis on green and inclusive financing conditionalities, which are reshaping the composition of global trade by channeling capital toward sustainable exports and ESG-linked imports.

Empirical evidence further validates these channels. At the micro level, matched firm–bank–MFI transaction studies show that trade guarantees increase both the likelihood and survival of exports, particularly among SMEs and firms operating in higher-risk markets (Paravisini, Rappoport, Schnabl, & Wolfenzon, 2015). Recent work also suggests that MFI trade-finance programs mobilize commercial banks to participate in transactions they would otherwise decline, thereby addressing credit rationing (Matray, Sachs, & Stein, 2024). At the macro level, cross-country studies show mixed but significant short-run effects: countries benefiting from World Bank and IFC trade programs have reported increases in merchandise exports and imports, but long-term impacts on GDP growth and employment remain heterogeneous and dependent on complementary institutional reforms such as customs efficiency and contract enforcement (WTO, 2025; OECD, 2024).

Case studies illustrate these dynamics more concretely. The IFC–HSBC US$1 billion trade-finance partnership launched in December 2024 targeted emerging-market banks in Africa, Latin America, and Asia to mobilize private capital and support import–export flows. Initial disclosures indicated its expected contribution to bridging the estimated US$2–2.5 trillion global trade-finance gap (Reuters, 2024; ADB, 2023). Similarly, MIGA's guarantees for port

modernization projects in Sub-Saharan Africa reduced logistics bottlenecks, lowering freight times and costs for exporters. Yet, as World Bank evaluations note, the trade effects of such projects often materialize only in the medium to long term, given their infrastructural nature (World Bank Group, 2024). Moreover, where finance was paired with targeted reforms: such as digital single windows and customs modernization, the measurable reduction in border clearance times contributed directly to higher trade volumes (WTO, 2025).

Despite these successes, MFIs face limitations and criticisms. The scale of interventions, though large in absolute terms, remains insufficient relative to global financing needs: the trade-finance gap continues to hover between US$2 trillion and US$2.5 trillion annually, disproportionately affecting SMEs and firms in fragile states (ADB, 2023; ICC, 2020). Additionality concerns persist, with critics arguing that poorly designed interventions may crowd out private finance or subsidize transactions that would have been financed without MFI support (OECD, 2024). Furthermore, compliance and regulatory costs; such as know-your-customer (KYC) and anti-money laundering (AML) obligations continue to constrain commercial banks' willingness to extend trade finance, limiting the transmission of MFI guarantees to smaller firms (ICC, 2020).

From a methodological perspective, robust evaluation of MFIs' role in global trade requires mixed approaches. Content analysis of MFI reports provides insight into institutional strategies, while matched microdata offers evidence of causal impacts on firm-level exports. Econometric techniques such as difference-in-differences and regression discontinuity can capture trade responses to program rollouts or policy changes. However, as OECD (2024) and WTO (2025) emphasize, evidence gaps remain in understanding ESG-linked conditionalities and regional heterogeneity, suggesting avenues for future research.

In summary, MFIs remain essential actors in global trade by providing liquidity, de-risking mechanisms, and trade-facilitation support that enable importers and exporters to operate in challenging markets. Their interventions are most effective when combined with policy reforms and private capital mobilization, though persistent financing gaps, additionality challenges, and regulatory frictions constrain their full potential. Going forward, scaling catalytic risk-sharing, strengthening SME targeting, and addressing compliance burdens will be critical to enhancing MFIs' role in bridging the trade-finance divide.

Objective Three: Draw lessons for global trade impact on macroeconomic stability in Africa.

1. Prioritize targeted trade-finance instruments that reach SMEs: Emerging economies should design ECA/MFI interventions with explicit SME targeting because small and medium exporters face the largest trade-finance shortfalls and highest rejection rates by commercial banks. Empirical studies show guarantees, buyer-credit facilities and targeted trade-liquidity lines raise export probability and survival for financially constrained firms; without tailored products these benefits primarily accrue to larger, bankable firms. For Nigeria, this implies scaling credit lines and partial-credit guarantees through local banks while calibrating risk sharing and pricing to ensure

uptake by SMEs in manufacturing and agro-processing (Paravisini et al., 2015; Matray et al., 2024; ICC, 2020).

2. Pair finance with trade-facilitation reforms to increase impact: Finance alone has limited long-run effects unless complemented by measures that reduce non-financial trade costs. Where MFIs combined lending or guarantees with customs modernization, electronic single windows, and simplified documentary procedures, border times fell and trade volumes improved. Emerging economies should therefore bundle trade-finance facilities with technical assistance for customs reform; for Nigeria, simultaneous investments in port efficiency, single-window systems, and logistics would amplify the effect of any ECA/IFI credit lines on actual imports and exports (WTO, 2025; World Bank Group, 2024).
3. Use blended finance and catalytic guarantees to mobilize local capital Experience shows partial guarantees and syndicated structures catalyze commercial bank participation, extending trade finance beyond what MFIs alone could fund. Emerging markets should therefore prioritize blended instruments that leverage MFI balance sheets to crowd in domestic and regional banks. In Nigeria, partnering MFIs with the Nigeria EXIM/Bilateral ECAs to structure risk-sharing and co-lending could unlock larger volumes of trade credit at viable terms while building domestic intermediary capacity (IFC, 2024; World Bank Group, 2024).
4. Tackle compliance bottlenecks (KYC/AML) through proportionate, risk-based approaches: The retreat of correspondent banking and rising KYC/AML costs has excluded many trade relationships from the formal system. MFIs and ECAs can advocate and pilot proportionate, risk-tiered compliance solutions (e.g., standardized low-risk certification for routine trade flows) and support capacity building for local banks. For Nigeria, coordinating with international partners to create pilot corridors with simplified due-diligence standards for trusted trading partners would help restore correspondent links and reduce costs for SMEs (ICC, 2020; BIS analyses cited in broader literature).
5. Invest in matched microdata, monitoring and evaluation to improve targeting and additionality: Rigorous evidence is essential to avoid crowding out private finance and to confirm additionality. Emerging economies should work with MFIs to create matched customs × bank × ECA/MFI transaction datasets and implement monitoring frameworks with counterfactual logic. Nigeria would benefit from a national trade-finance observatory that links export transactions with financing records to evaluate whether MFI interventions reach underserved firms and sectors (Paravisini et al., 2015; OECD, 2024).
6. Design ESG-sensitive but growth-aware conditionalities: MFIs increasingly attach green and social conditionalities to trade and project finance. Emerging economies should adopt ESG conditionalities that enhance long-term competitiveness without prematurely excluding tradable sectors that currently support jobs. For Nigeria, phased green criteria—coupled with technical support to upgrade firm practices—can help shift export composition toward lower-carbon, higher-value goods while protecting employment during transition (OECD, 2024; World Bank Group, 2024).

7. Prioritize infrastructure and logistics investments that have direct trade payoffs Guarantees for port upgrades, power projects, and inland logistics corridors have large, if sometimes delayed, payoffs for trade competitiveness. Given Nigeria's documented port congestion and logistics costs, MFIs should co-finance priority infrastructure with explicit trade-outcome metrics and timebound performance targets to accelerate the realization of export gains (MIGA, 2024; World Bank Group, 2024).
8. Strengthen regional cooperation and corridors to rebuild correspondent banking and trade corridors: Regional corridors and harmonized rules reduce compliance costs and help correspondent-bank restoration. MFIs can support pooled KYC utilities, cross-border payment platforms, and regional credit-insurance pools. Nigeria should lead or join regional initiatives (ECOWAS-level trade-finance platforms, corridor single windows) to expand correspondent relationships and deepen regional value chains (ADB/ICC diagnostics; WTO policy analyses).
9. Use counter-cyclical capacity (standing facilities) to stabilize trade in shocks Historical evidence shows MFIs and ECAs are most valuable during crises (e.g., 2008–09, COVID-19) when private supply retracts. Emerging economies should negotiate standing, quick-disbursing trade liquidity lines and contingency guarantees with MFIs to maintain trade flows during shocks. For Nigeria, pre-negotiated contingent facilities would limit trade disruptions from commodity price swings or global financial stress (IFC, 2024; World Bank Group, 2024).
10. Build local institutional capacity and governance for transparent deployment Effective ECA/MFI support depends on strong implementing institutions, transparent procurement, and accountable monitoring. Emerging economies need to invest in public financial management, border agency coordination, and capacity to design and oversee blended finance. For Nigeria, strengthening agencies like NEXIM, customs modernization units, and ministries of trade will improve selection, execution, and evaluation of MFI-supported trade initiatives (OECD, 2024; World Bank Group, 2024).

Collectively, these lessons recommend a strategic, evidence-based approach: design MFI/ECA instruments that are SME-centric and blended, pair finance with trade facilitation and infrastructure investments, address regulatory frictions through proportional approaches, and invest in data and governance to ensure additionality and equitable distribution. For Nigeria, implementing these lessons will require political commitment to reforms, stronger inter-agency coordination, and active partnerships with MFIs to co-design instruments tailored to the country's sectoral strengths—agro-processing, light manufacturing, and regional trade corridors—so that trade finance becomes a driver of inclusive growth rather than a temporary liquidity fix (Paravisini et al., 2015; IFC, 2024; World Bank Group, 2024).

5.0. CONCLUSIONS AND RECOMMENDATIONS

This paper has examined the role of Export Credit Agencies (ECAs) and Multilateral Finance Institutions (MFIs) in shaping global import and export trade, drawing on content analysis, case studies, and empirical evidence. Findings from Objective One demonstrated that ECAs materially influence trade at the firm and transaction level, particularly in markets where private credit is scarce, and during crises when they provide counter-cyclical liquidity. While evidence of additionality is strong for SMEs and high-risk destinations, long-run macroeconomic impacts remain mixed due to concerns over crowding out, fiscal liabilities, and environmental trade-offs (Matray, 2024; OECD, 2023).

Objective Two highlighted that MFIs, particularly the IFC, World Bank, and MIGA, play a pivotal role in de-risking trade transactions, mobilizing private sector participation, and providing liquidity to underserved markets. Case studies, such as the IFC–HSBC trade-finance facility and MIGA-backed port modernization projects, illustrate their catalytic role in bridging the global US$2–2.5 trillion trade-finance gap (ADB, 2023; World Bank Group, 2024). However, persistent additionality concerns, SME exclusion, and compliance bottlenecks such as KYC/AML requirements continue to limit their full effectiveness.

Objective Three distilled lessons for emerging economies, with Nigeria as a focal point, emphasizing the need for SME-targeted interventions, blended finance structures, trade facilitation reforms, and ESG-sensitive conditionalities. Evidence suggests that trade-finance interventions are most effective when coupled with infrastructure investment, customs modernization, and transparent governance. ECAs and MFIs thus remain indispensable in sustaining global trade flows but require careful calibration to avoid distortive effects and to align with developmental and climate priorities.

The study therefore recommends the following;

1. Both ECAs and MFIs should prioritize instruments designed for SMEs, such as partial-credit guarantees and targeted liquidity lines, to reduce the disproportionately high rejection rates they face in trade-finance applications (Paravisini et al., 2015; ICC, 2020).
2. For sustainable outcomes, trade-finance programs should be bundled with reforms such as single-window systems, port efficiency measures, and digital customs platforms, thereby reducing transaction costs and amplifying export competitiveness (WTO, 2025; World Bank Group, 2024).
3. Emerging economies, including Nigeria, should prioritize co-financing models where ECAs and MFIs share risk with domestic banks to catalyze local capital markets and expand trade credit capacity (IFC, 2024).
4. Policymakers and MFIs should adopt proportionate risk-based KYC/AML frameworks to reduce compliance burdens on SMEs while maintaining financial integrity. Nigeria could pilot simplified compliance corridors with trusted partners (ICC, 2020).

5. Trade-finance interventions should include phased ESG conditionalities that enable gradual green transitions while safeguarding employment and competitiveness in emerging economies (OECD, 2024).
6. Nigeria should establish a national trade-finance observatory linking customs, bank, and ECA/MFI transaction data to evaluate program effectiveness, confirm additionality, and improve targeting (Paravisini et al., 2015).
7. MFIs should prioritize guarantees and loans for critical logistics and energy infrastructure with explicit trade-outcome metrics to ensure faster realization of benefits (MIGA, 2024).
8. Standing facilities and pre-negotiated contingency guarantees should be established with MFIs to safeguard trade flows during global crises, particularly for commodity-dependent economies like Nigeria (IFC, 2024).
9. Nigeria and other emerging economies must improve institutional governance, accountability, and inter-agency coordination to maximize the developmental impact of ECA and MFI programs (OECD, 2023).

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