

# Sustainable Trade Finance and Financing Instruments



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## Abstract

This rapid review synthesises evidence on the sustainable trade finance and financing instruments in fragile and complex economies with current imbalances. The literature reviewed indicated that the current COVID-19 pandemic and the associated global economic crisis is causing considerable shocks in trade and trade finance. The experiences of trade finance disruptions during the 2008/09 Global Financial Crisis (GFC) and challenges faced by countries with current account crises may offer some useful lessons for the ongoing COVID-19 induced crisis – although the current crisis has no comparable modern precedent. In the context of current pandemic, there is an urgent need for the international community (donors, multilateral development banks, governments, etc.) to help alleviate the constraints faced by banks in developing countries (particularly those with economic and state fragility) – to enable them in scaling up trade financing. Some examples of the biggest trade finance providers to fragile and developing economies (i.e. International Financial Institutions (IFIs) are given in section 5, and outside the IFIs, trade financing in developing and fragile economies relies on local banks and government agencies (e.g. Export Credit Insurance agencies). It is also important to note that these financial institutions in fragile economies are themselves often financed by IFIs to provide trade financing loans and credits. It is worth noting that there is some limitation in the evidence base (e.g. academic studies) around instruments of trade finance in fragile and complex economies. Although the literature on trade finance (and the underlying instruments of trade financing) is well developed, there is far less academic evidence from fragile states on the topic

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