

# Aid for Trade: Origin, Development, and Evaluation

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## Abstract

Besides the trade tariff and non tariff barriers, the developing countries always face what called "internal barriers" to conduct international trade. For this reason the idea of the Aid for Trade (AfT) was originated. Principally, the AfT strategy consists of four basic categories, which they are the Trade Policy and Regulation, Building Economic Infrastructure, Building Productive capacity, and Adjustment assistance. The methodology of AfT evaluation is based on four major processes, which they are the demand process, response process, outcome process and impact process. Interestingly, an econometric analysis proved that each \$1 invested in aid would create additional exports approximately \$8 from all developing countries. This paper found out five major issues in the AfT practices, which they are constituted in the misallocation of funds among the four AfT categories, the disparity between AfT commitments and disbursements, the nature of AfT funding that would create a debt trap for the recipient countries, the diminished role of the private sector, and lastly the lack of coordination among and within the donor countries. For the sake of increasing the AfT effectiveness and practices, this paper presents a set of recommendations.

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