

## CHAPTER I

### INTRODUCTION

#### A. Background

Foreign aid, as a vital and innovative instrument of foreign policy, still did not exist in the 1950s. Such emerging idea and practical policy that rich countries should offer resources for improving the human condition in poor countries through bilateral or multilateral channel has been widely recognized and uncontested in the 2000s<sup>1</sup>. As Rogger C. Riddell argues, foreign aid today has become “a large complex enterprise that reaches all corner of the globe”<sup>2</sup>. The development and transformation of foreign aid, however, is not without altercations among academism and policy communities. Many attention has been concentrated on the amount or volume of the aid, the purpose of aid giving countries, the effectiveness of aid project, and also critiques on its implication to local government and growth<sup>3</sup>.

Actually there are two reasons why donor countries give foreign aid. First, because donor countries care for recipient countries or second because there exist distortions that make donor countries gain more benefit rather than the aid that should be allocated for recipient country, whereas the

---

<sup>1</sup> Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics*, (Chicago, The University of Chicago Press, 2007), pg. 5

<sup>2</sup> Roger Riddell, *Does Foreign Aid Really Work?*, (Oxford, Oxford University Press, 2007), pg. 7

<sup>3</sup> Alan H. Yang, et al, *The Politics of Foreign Aid: A Positive Contribution to Asian Economic Growth*, (CCS Working Paper NCCU, Taiwan, 2011)

existence of foreign aid is given because donor countries are (and should be) altruistic<sup>4</sup>. Foreign aid is always identical with the intervention from other part. It is meant that when one of country or agent of International Organization considered has motive to intervene domestic matter of a country which become the target. Marxist and dependency perspective see foreign aid as a tool of dominant states at the center of capitalism world to help them to control and exploit developing countries<sup>5</sup>. The gap class between developed country and developing country become the reason why foreign aid is needed for developing country. Developed countries which have many abilities to move forward want to expand their powers into developing country in order to keep their interest. Domination in developing country is usual thing for developed country. Many kinds of domination form which released by developed country, and one of them is foreign aid. From the statement of Marxist, in this globalization and capitalism era foreign aid is not pure to help people in developing country. Dependency perspective also consider foreign aid will make a dependent behavior of developing country toward developed country. Developing country will follow what developed country said and acted.

Developing country as recipient from foreign aid like has feedback which should be paid for developed country as donor. Dependency force developing country to do something toward developed country, where it will give benefit for the donors itself. Developing country as recipient can not

---

<sup>4</sup> Wolfgang Mayer, et al, *The Politics of Foreign Aid*, (Copenhagen, 1999)

<sup>5</sup> Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics*, (Chicago, The University of Chicago Press, 2007), pg. 3

free from developed country's interest as the donor. Foreign aid becomes instrument to spread influences and makes developed country become more strong and weakens developing country as the target. The impact from foreign aid will exploit what developing countries had, like natural resources, human resources, etc. Robert Gilpin also concluded that humanitarian concerns played an important role in foreign assistance allocations, but "the primary motives for official aid by government have been political, military, and commercial"<sup>6</sup>. Foreign aid asks other feedback after allocated. Friedman (1958) also said that foreign aid is inimical to civil liberties and democracy<sup>7</sup>. The rights of civil become limited by foreign aid, because they have to follow regulation which related with those foreign aid. Others scholars argue that foreign aid potentially weakens government accountability, by retarding development of healthy "civil society" underpinning democracy and the rule of law. Foreign aid makes the government in recipient country become weak, because they have to follow donor country's policy.

Other argument also stated by realist and liberalist. For realist foreign aid was a tool for enhancing national power and security<sup>8</sup>. Foreign aid is a practice of the application of foreign policy. The donors provide foreign aid for some reasons, like social reasons or political reasons. Realist

---

<sup>6</sup> Douglas A. Van Belle, et. al, *Media, Bureaucracies, and Foreign Aid*, (New York & England, Palgrave Macmillan, 2004).

<sup>7</sup> Stephen Knack, *Does Foreign Aid Promote Democracy?*, (International Study Quartely (2004) 48, 251- 266)

<sup>8</sup> Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics*, (Chicago, The University of Chicago Press, 2007), pg. 1

also think that foreign aid become a choice because lacking an overarching political structure that can protect the weak from the strong, even the country exist, people constantly threatened, and then foreign aid should be allocated. Other realist also have based their critiques or analyses of foreign assistance on the inability of recipient country to utilize the resources effectively. Most of developing country still lack on exploring domestic resources that can support development. The managing resources effectively needed by developing country and one of way support it is by accepting foreign aid. Liberalist said that foreign aid as an instrument or reflection of the tendency of countries to cooperate in addressing problems of interdependence and globalization<sup>9</sup>. Liberalist tends to see recipient necessary in solving domestic problem with cooperation among country. The exploration of domestic resources for development is needed, even it has to need assistance or aid from others part like country or agency of non governmental organization. Growing amounts of aid have been channeled through international institutions, and in this topic is include USAID.

USAID (United States Agency for International Development) as U.S. agency which cover and collect almost all of helps from U.S.'s civil society and as semi independent aid agencies with formal ties to the U.S. Department of State<sup>10</sup>. USAID was formed for helping fragile and failed states, preparing government that could not meet the standards of aid and

---

<sup>9</sup> *Ibid*, pg. 4

<sup>10</sup> Louis A. Picard, R. Groelsema, Terry F. Buss, *Foreign Aid and Foreign Policy (Lessons for The Next Half- Century)*, (New York, M.E. Sharpe, Inc, 2008), pg. 45

generally dealing with the less successful states in the developing country<sup>11</sup>. Then actually USAID come to some developing countries in order to give assistance or aid. Most of countries which accept aid from USAID are like African countries, Asian countries such as India, Pakistan, and also one of them is Indonesia.

Recipient Countries which Accept U.S. Foreign Assistance (Top Recipient in 2002)  
(in million of current U.S.\$)  
Table. 1

FY 2002	Total Amount
Israel	2,788
Egypt	1,960
Pakistan	1,050
Afghanistan	686
Colombia	406
Jordan	355
Turkey	253
Peru	234
India	173
Yugoslavia	167
Russia	164
Bolivia	154
Indonesia	142

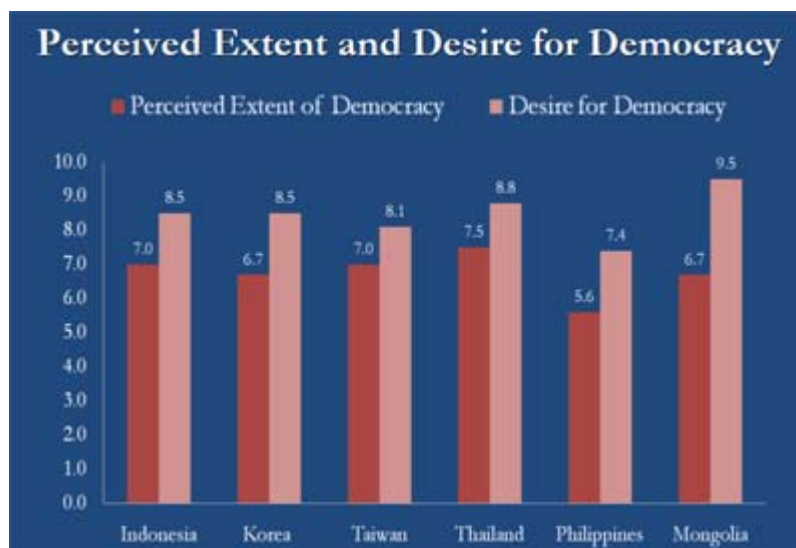
Source: Department of State, Foreign Operations CBJ FY2004

USAID came to Indonesia from around 20 years ago or in 1991 to support democracy in Indonesia, however the program related with

---

<sup>11</sup> *Ibid*

democracy aspect applied since around 2005. Indonesia has been chosen by USAID, because of some reasons. The reasons are, firstly Indonesia and U.S. have same basic ideology on democracy, so it will easy for USAID to come to this country because democracy is opened for all. Then Indonesia is still as a developing country which need assistance from other country or institutions. The next reason is Indonesia success to move from dictatorship into democratic, with signed by reformation event. It is in line with U.S.'s Secretary of State, Hillary Clinton's statement, she said that "Indonesia successful on transition from dictatorship and status as a vibrant Muslim-majority democracy make it an ideal role model for other country"<sup>12</sup>. Beside that the desire of Indonesian toward democracy also relatively high, so USAID consider it as way and reason to come in Indonesia for support the running up of democracy.



Picture. 1

Source: Larry Diamond, *How is Indonesia's Democracy Doing?*

<sup>12</sup> The Jakarta Post, Sunday July 24 2011: "Clinton: Indonesia Can Be Democratic Role Model". Accessed on December 9 2012; 13:00

The growth of democracy in Indonesia also faced toward some problems. Actually, Indonesia already passed three types of democracy, which are constitutional/ parliamentary democracy, guided democracy, and Pancasila democracy. Most of those types have each weakness and lead to the failure. Constitutional democracy failed because of the result of lack of sufficient institutional backup for democracy (according to idealist), then liberalist said that those era did not failed, but erased by Soekarno and military. Then, guided also Pancasila democracy faced by some problems which weaken those types. Now, Indonesia democracy still grow up, however there are obstacles in some aspects. Factors like corruption, mutual distrust because of each elite want to keep their own interest, then slow bureaucratic reform, failure to implement law and regulations, become triggered factor which make democracy weaker.

In democracy itself, there are some criteria which become indicator of democracy such as human rights, free and fair election, continuous government rolling. As the example in 1994 USAID gave finance around US \$ 1,7 million for NGOs in human rights aspect through YLBHI.<sup>13</sup> USAID also already gave around US \$ 2,4 million for bilateral grants in 2004<sup>14</sup>. Then in election 2004 USAID gave money around US \$ 25 millions.<sup>15</sup>

---

<sup>13</sup> Riker, James V, 1998, pg : 355.

<sup>14</sup> Kompas, Monday July 11 2005 : “AS Kucurkan Bantuan Untuk Tata Pemerintahan RI”.

<sup>15</sup> *Ibid.*

USAID as U.S. agency that concern on development, especially for developing countries gives some significant roles to encourage democratic activities. From giving fresh money until act directly in front of civil society. The aid also used in three prior programs, they are partnership between Indonesia government and U.S., then U.S. government and Indonesia's council in national and local level, and organization of local civil society.<sup>16</sup>

## **B. Research Question**

From the exploration about background above, the problem which will be written by the writer is about “what are the roles of USAID in encouraging democracy in Indonesia?”.

## **C. Theoretical Framework**

In order to answer and analyze main problem above, the writer used some concepts which will contribute on analysis and become a foundation to answer and analyze the main problem or topic. There are concept of foreign aid and concept of democracy.

### **1. Concept of Foreign Aid**

The definition of foreign aid according to OECD, refers to the loans grants allocated to developing countries and which fulfill three criteria: 1) the loans and grants must come from the public sector, 2) they must be granted with the aim of fostering economic development, 3) they must be concessional and contain a grant element at least 25%<sup>17</sup>. Although its aim is

---

<sup>16</sup> *Ibid.*

<sup>17</sup> Jean Philippe T, *Debating Foreign Aid: Right vs Left*, (from Third World Quarterly, Vol. 23, pp 449- 466, 2002)



for economic reason, it is also impacted in political matter of a country, where country should follow regulations from the donors.

According to Hans Morgenthau, foreign aid is among the “real innovation which the modern age has introduced the practice of foreign policy”<sup>18</sup>. Foreign aid is the implication from foreign policy of a country. Hans Morgenthau tries to analyze that foreign aid is a kind of practice of foreign policy application which is addressed toward country that needed. As realist, Hans Morgenthau and other thinkers says that aid was a tool for enhancing national power and security<sup>19</sup>, even bilateral aid donors have been driven importantly by their own interest. Their purposes is not only to promote growth and poverty reduction, but also has been and continues to be provided for a variety of purposes, of which development is only one of them.

In 1962, Morgenthau proposed six types of foreign aid in his insightful article “A Political Theory of Foreign Aid”<sup>20</sup>. They are humanitarian, subsistence, military, bribery, economic development, and prestige. Each type plays their own role. Humanitarian is more altruistic to give foreign aid, subsistence concerns on livelihood, military tends to concern on defense and security matter, bribery tends to keep interest of donor, economic development to buffer domestic economic of a country,

---

<sup>18</sup> Carol Lancaster, *Foreign Aid: Diplomacy, Development, Domestic Politics*, (Chicago, The University of Chicago Press, 2007), pg. 1

<sup>19</sup> *Ibid*, pg. 3

<sup>20</sup> Alan H. Yang, et al, *The Politics of Foreign Aid: A Positive Contribution to Asian Economic Growth*, (CCS Working Paper NCCU, Taiwan, 2011)

prestige to get impression from recipient country or others. He also argues, as a highly contending instrument of foreign policy in US, the advocates of foreign aid praise it a “fulfillment of an obligation of the few rich nations toward the many poor ones”, while the dissenters regard it as “a gigantic boondoggle, a wasteful and indefensible operation which serves neither the interests of US nor those of the recipient nations. Morgenthau’s argument is in line with realist concerns, elucidates contemporary deliberation on theory and policy of foreign aid<sup>21</sup>.

For scholar in International Relations, conceptual investigation and theoretical interpretation frame the contour of foreign aid. For realist, they concern more on the power politics that happen between state to state interactions, regard foreign aid as an instrument of great power diplomacy. The practice of foreign aid, therefore, serves as an enhancement of national interests of donor countries. Then for liberalist, foreign aid is regarded as the means to facilitate inter state cooperation.

However, Marxist and scholars from World System Theory argue that the logic of foreign aid is embedded in the context of dependency. Foreign aid means to dominate a country to secure the modality of exchange between the Center and Periphery. Constructivism also give argument that tends to delineate non material forces and ideas that contour foreign aid as a norm of either altruism or power manipulation.

USAID in this context tends to be liberalist, because USAID concerns on strengthening political power in Indonesia and cooperate with

---

<sup>21</sup> *Ibid*

government to realize good governance. The lack of ability to maintain and utilize domestic resources also become the reason. Indonesia needs assistance to support that matter. Then, USAID proposes some programs which is various in type, especially in the term of supporting democracy. Foreign aid itself can affect political institution which become one of elements on democracy.

There are two perspectives on foreign aid affect political institution. First perspective, is optimistic about aid's impact on political regimes. Foreign aid can have a positive effect on developing countries political institutions by making them more democratic. Second perspective is, pessimistic. Aid is not only unable to promote democracy in recipient nations, but it also has the opposite effect, leading to weaker democracy or more dictatorship in those nations<sup>22</sup>. There is perspective about amplification effect, foreign aid neither causes democracies to become more dictatorial nor causes dictatorship to become more democratic. It only amplifies recipients existing political- institutional orientations. Aid makes dictatorship more dictatorial and democracies more democratic<sup>23</sup>. So, USAID in Indonesia tend to make Indonesia more democratic, because actually Indonesia is a democratic country previously and still upholding democracy.

---

<sup>22</sup> Nabamita Dutta, et al, *The Amplification Effect: Foreign Aid's Impact on Political Institutions* (working paper for how foreign aid affect recipient)

<sup>23</sup> *Ibid*

## Theoretical Pluralism of Foreign Aid

Table. 2

	Realism	Liberalism	Marxism	Constructivism
Focus	Power Politics	Cooperation	Inequality	Social Construction
Main Concern	Strategic imperative of donor state in the context of power politics	International cooperation and good governance	Dependency and exchange between Center and Periphery	The making diffusion of foreign aid
Unit of Analysis	State	State and International Institution	System	Non material forces
Orientation	The instrument of economic diplomacy	The mechanism facilitating coordination	The exchange of asymmetric inter state relations	The norm of international interaction

Source: Alan H. Yang & Ian T. Y Chen (The Politics of Foreign Aid: A Positive Contribution to Asian Economic).

### 2. Concept of Democracy

The word of democracy comes from Greek, that are “*demos*” which means people and “*kratos*” or “*cratein*” which means governance. So, this word means governance by people. The phrase governance by people also

has meaning. First, a governance which is chosen by people, second governance by common people, and third governance by the poor<sup>24</sup>. However, the important point about democracy is not only who is the leader, but also the way he or she lead. As the meaning of democracy textually, governance by people, but actually sometimes operationally the meaning which is given toward democracy is various, and even uncontrolled. Democracy also give wider opportunity, more power, and energy which can not be separated, even in the bad condition, democracy still can create “amazing” things like solutions for the problem which already appeared<sup>25</sup>.

So, actually the meaning of real democracy is a governance system in a country, where all of the people or citizen have rights, obligation, position, and power as well in running up their life or in participate toward country’s power, where people have right to follow in running up or even control the process of country’s power, directly or indirectly, for example through public sphere or representatives who is already chosen, and of course the governance system should be suitable with people’s interest, because in democracy, governance is from people, by people, to the people<sup>26</sup>.

---

<sup>24</sup> M. Fuady, *Konsep Negara Demokrasi*, (Bandung, PT. Rafika Aditama, 2010), pg 1

<sup>25</sup> D. Revitch, & A. Thernstrom (ed). *Demokrasi (Klasik & Modern)- Alexis de Tocqueville: Democracy in America*, (Jakarta, Yayasan Obor Indonesia, 2005), pg. 186

<sup>26</sup> M. Fuady. *Konsep Negara Demokrasi*, (Bandung, PT. Rafika Aditama, 2010). pg 1

According to Robert A. Dahl, there are some minimum procedural conditions for democracy (the indicators of democracy which become success)<sup>27</sup>:

1. Government decisions about policy is constitutionally vested in public officials.
2. Elected officials are chosen frequently and fairly conduct elections in which coercion is comparatively uncommon.
3. Citizens have rights to express themselves without danger of severe punishment on political matters broadly defined, then right to join in independent organizations, including independent political parties and interest group.
4. Practically adults have right to vote and run the election of officials.

Those elements will become indicator for a country in the term of running up democracy. The matters which related with control government decisions, human rights, fair elections, can make democracy become more advanced step by step. In Indonesia, those elements actually have been applied in some aspects. However, the meaning of substance of each element is little. So, Indonesia procedurally as democratic country, however the substance is not really meaningful. With that statements, USAID support Indonesia to keep the democratic system.

---

<sup>27</sup> Robert A.Dahl. *Polyarchy*. (Michigan, USA:Yale University Press, 1971)

## **Democratic Decentralization**

Democratic decentralization is the development of reciprocal relationships between central and local governments and between local governments and citizens. It addresses the power to develop and implement policy, the extension of democratic processes to lower levels of government, and measures to ensure that democracy is sustainable. Democratic decentralization incorporates both decentralization and democratic local governance<sup>28</sup>.

Decentralization is the transfer of authority, responsibility, and accountability from central to local governments. Decentralization can take various forms, commonly described in public administration terms as deconcentration, devolution, and delegation. Decentralization also has several dimensions that reflect, in general terms, increasing and often sequential stages of progress in achieving the governance objectives of decentralization<sup>29</sup>. These stages are:

- a. Administrative decentralization (functional responsibility)
- b. Financial decentralization (access to resources)
- c. Political decentralization (accountability).

And there are also four components on decentralization according to Louis A. Picard, Robert G, Terry F. Buss<sup>30</sup>:

---

<sup>28</sup> Camille, et al. Democratic Decentralization. (Research Triangle Institute, 1997). Pg. 2

<sup>29</sup> *Ibid*, pg. 3

<sup>30</sup> Louis A. Picard, Robert G, Terry F.B, *Foreign Aid and Foreign Policy (Lessons for The Next Half- Century)*. (New York, M. E Sharpe Inc, 2008).

- The development of effective local institutions of collective decision making.
- Devolution of authority to local- level political institutions.
- Deconcentration of administrative capacity, and the allocation of finances and the control of personnel, to lower- level administrative organizations.
- Establishment of and support for viable and democratic local political process.

Democratic local governance is autonomous levels of local government, vested with authority and resources, that function in a democratic manner. They are accountable and transparent, and involve citizens and the institutions of civil society in the decision-making process. Democratic local governance looks beyond local government administration and service delivery to institutions and structures that enable people to decide things and do things for themselves. It emphasizes the presence of mechanisms for fair political competition, transparency, and accountability, government processes that are open to the public, responsible to the public, and governed by the rule of law.

For democracy that related with law enforcement, there are some points where law enforcement is the part of democracy. Police in this context is the agency of government that enforce law and directly have contacts with the citizens. Police is the central element of a democratic society. Indeed one element in defining such a society is a police force that 1) is subject to the rule of law, rather than the wishes of a powerful leader or



party 2) can intervene the life of citizens only under limited and carefully controlled circumstances and 3) is publicly accountable<sup>31</sup>. The concept of democratic law enforcement, or to be more specific, democratic policing is of comparatively recent origin. The idea is to describe the characteristics of policing a democracy where the police serve the people of the country and not the regime. Law enforcement requires a delicate balancing act. The conflicts between liberty and order receive their purest expression in considerations of democratic policing<sup>32</sup>. In this case, law enforcement become a balancing for society's life with join in USAID's program also others training. Law enforcement or police is a complement of democracy, where society become a powerful part in democracy. So, USAID can give service for society.

Democracy in this context is supported by international factor. USAID as International Organization gives assistance for Indonesia's democracy. According to Robert A. Dahl, there are some strategies on United States might facilitate the transformation of country, and one of them is to support democratic- that is, revolutionary- movements within the country, with funds, weapons, or other resources<sup>33</sup>. International factor like International Organization has influenced the dynamic of democracy. While actually International Organization or NGO at the first time consider

---

<sup>31</sup> Gary T. Marx. *The Encyclopedia of Democracy*. (1995). Retrieved from <http://web.mit.edu/gtmarx/www/poldem.html>

<sup>32</sup> Retrieved from: <http://www.thedailystar.net/newDesign/news-details.php?nid=211638>, accessed on December 7, 2012; 00.00

<sup>33</sup> Robert A.Dahl. *Polyarchy*. (Michigan USA, Yale University Press, 1971). Pg. 210

government as trouble maker of problem inside of a country<sup>34</sup>. However, to reach their goals, now they should synergized with government. Then NGO also can give feedback toward government about policy which is made by them. Indonesia gets foreign assistance from USAID to encourage democracy by some ways, from giving funds, training, socialization, or others which is related to the advancement of democracy.

In this material case, international institutions become the middle way between government and people. USAID tries to give assistance toward local government especially to serve better indigenous people, especially in promoting democracy which will cover all of problems include social, ethnic, religions, in order to realize peaceful condition of democracy in Indonesia. Many activities can be done to gain aspirations from people, especially indigenous people in villages. So, actually they need socialization and assistance especially from local government combine with USAID. With the indicators of democracy above, Indonesia should be more advanced substantially, and not only procedurally in democracy.

#### **D. Hypothesis**

From the research question above, it can be answered that there are some roles of USAID in encouraging democracy in Indonesia:

---

<sup>34</sup> John Clark. *NGO dan Pembangunan Demokrasi*. (Yogyakarta, PT Tiara Wacana, 1995).  
Pg. 82

1. Supporting government capacity such as increasing local government competency, increasing skill of local government in giving service for society.
2. Strengthening organization of civil society like supporting action for domestic NGO, then encouraging the participation of civil society in decision making process.
3. Supporting law enforcement such as providing technical assistance to help building capacity of Indonesian law enforcement agencies (including Indonesia National Police (Directorate 5 and Marine Police), Ministry of Forest, etc) to address national and transnational environmental crime in order to help protect Indonesia's forest, and marine ecosystem.

#### **E. Method of Research**

This research for undergraduate thesis use literature studies as the technique. Data resources which is literature are retrieved from books in library, journal, articles, and others which are relevant with this topic.

#### **F. Writing System**

The writer divided this paper into some chapters, and each of chapter is connected, so it becomes in one or unite.

Chapter I, Introduction which contains : background, research question, theoretical framework, hypothesis, method of research, and writing system.

Chapter II, describes about general view of relationship between US and Indonesia in the term of USAID.

Chapter III, describes about the program of USAID in encouraging democracy in Indonesia. Then it will consist of, first supporting government capacity, second, strengthening organization of civil society, third, supporting law enforcement.

Chapter IV, describes about the outcome of USAID's program in encouraging democracy in Indonesia.

Chapter V, conclusion and closing which contain about conclusion and resume from the paper as a whole.