

How Effective is Foreign Aid to Indonesia? : Case Study Prabowo Subianto's Free Lunch Program for School Children, Children Below 5, and Pregnant Women, Funding from China

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ABSTRACT

This paper will discuss Indonesia as a recipient of foreign aid from many countries, including the new player in foreign aid, China. In writing this essay, I use *Poor Economics* by Banerjee and Duflo, *The Great Escape* by Deaton, and additional references. In November 2024, the newly inaugurated President of Indonesia, Prabowo Subianto, alongside the President of China, Xi Jinping, witnessed the signing of a Memorandum of Understanding (MoU). China agreed to fund the 'Food Supplementation and School Feeding Programme in Indonesia', Prabowo Subianto's controversial working program. This paper will analyse the effectiveness of foreign aid in Indonesia, specifically the future of the Free Meal Program funded by China. In this essay, I draw on dependency theory and empirical references. The expected conclusion is that foreign aid might provide immediate relief to food-insecure Indonesians, but it will create dependency and room for corruption. Furthermore, China might prioritise its national interest over Indonesia's long-term development goals.

KEYWORDS

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1. Introduction

According to Chowdhury and Sugema (2005), it is widely believed that Indonesia's rapid growth over three decades, until it was hit by the Asian crisis in the late 1990s, was due to foreign aid. Indonesia grew from one of the poorest countries to a second-tier newly industrialising economy in less than 30 years. However, Hill in 1996 said there has been no systematic study of aid effectiveness in Indonesia. This paper will analyse the effectiveness of foreign aid to Indonesia, using a case study of Prabowo Subianto's Free Lunch Program, funded by China. Foreign aid risks making Indonesia, as the recipient country, dependent on China, the donor country. On top of that, Indonesia is known as a particularly corrupt country, adding further obstacles to the implementation of this program. Prabowo Subianto is the 8th president of Indonesia and was sworn in on the 20th of October 2024. Prabowo

was the son-in-law of Indonesia's infamous second president, Suharto, who stepped down from power after the Asian economic crisis. According to Official iNews (2024), the most popular program of Prabowo is the Free Lunch Program for schoolchildren, children under 5, and pregnant women, with a budget of 10.000 Indonesian Rupiah, or equivalent to 0.62 USD. He believes that this is the right way to tackle stunting and reduce poverty.

As written by Ilham Agustian Candra and Muhammad Yafi Zhafran (2023), China was the largest donor of foreign aid to Indonesia during the fourth quarter of 2019. Indonesia's dependence on China is concerning because it could lead Indonesia's foreign policy to align with China's interests. China's foreign aid to Indonesia also aligns with image-building initiatives in Southeast Asia, as Indonesia is the region's largest country, with a large population and significant influence.

According to the news written by Sita Planasari (2024), the Chinese government agreed to fund the 'Food Supplementation and School Feeding Program in Indonesia' through a Memorandum of Understanding witnessed by both presidents of the two countries. While the program could provide an instant solution to reduce poverty, it might create dependency, enabling corruption, and serving China's national interests more than Indonesia's long-term development.

2. Theoretical Framework: Foreign Aid, Corruption and Dependency Theory

In the book "The Great Escape" by Deaton (2013), Foreign aid is a flow of resources to poor countries from rich countries with the aim to improve the lives of the poor people. After colonial times, rich-country investors invested funds not to improve the lives of the poor, but to profit. The author of this book calls the belief that global poverty can be tackled only if the rich give more to the poor the aid illusion. According to him, there are four possible reasons why world poverty can still exist even when it is economically so easy to eliminate. I agree with the third one: aid could be effective, but it is being misdirected and is currently ineffective.

In the Poor Economics book by Banerjee and Duflo (2011), Dambisa Moyo and William Easterly argue that aid is harmful because it prevents people from finding their own solutions, while local institutions corrupt aid. Easterly believes that countries can be successful, but they need to be left alone to do so. What really matters is how the money is distributed, not where it comes from. Another argument from the book, which goes hand in hand with Prabowo's free lunch program, is that children should be given school meals to increase school attendance.

Jeffrey Sachs sees corruption as a poverty trap. Corruption is both the cause and effect of poverty. Corruption also creates massive inefficiencies. According to Acemoglu and Robinson, poor political institutions are the main reason developing countries have failed to grow. Indonesia is famously known as a corrupt country. A 2010 study showed that Indonesia ranked only 110th out of 178 countries in Transparency International's Corruption Perceptions Index.

According to Kabonga (2017), dependency on donor aid is still relevant in today's world. Donor aid has benefited countries that offer aid rather than the recipient. Donor aid is given based on the donor's economic interests. Skunkel, in 1969, defined dependency as one

country's economic development that is dependent on external influences. In the dependency theory, there are two sets of states: the dominant and the dependent. The dependency theory literature suggests that rich countries can control poorer countries by making them dependent on them. Carlson and van de Walle (2000) provide two sets of measurements of aid effectiveness: the project's ability to achieve its goals and objectives, and the aid's sustainability.

Based on the case study, China is the dominant country, and Indonesia is the dependent. According to dependency theory, China can control Indonesia by making Indonesia dependent on it. China's economic intervention, in the form of funding for Prabowo's most famous program, will make the new president beholden to China. This can affect Indonesia's sovereignty and development if Indonesia is 'forced' to follow China's national interest. This can be dangerous because China is a rising global power. By controlling the fourth-most populous country in the world and the largest in Southeast Asia, China will have even greater power in the region.

3. Empirical Analysis: Review of Foreign Aid in Indonesia and Analysis of the Free Lunch Program

In Hindley's (1963) journal, Indonesia is a country that has received aid from many countries. China's aid to Indonesia dates back to at least 1956. Because of foreign aid, the Indonesian government is able to validate its promise of creating a 'just and prosperous society' in the future. Significantly, foreign aid is needed for important development projects. Foreign Aid has also done well by training Indonesians in skills needed for future development projects. At the very least, it drives some governments to think about development. In this case study, the Indonesian government needs to create a development framework, the free lunch program, to secure funds from the Chinese government.

According to Henninda (2018), in 2017, there were 46 projects in Indonesia supported by China, the most in ASEAN. The Chinese government's goal is to expand its market and revive the Silk Road trade route. Hattori thinks that foreign aid is a foreign policy tool and has become a symbol of donor-country domination over the recipient country. Indonesia, as the recipient country, will align with China, the donor country, to secure foreign aid. For Indonesia, the recipient country, economic factors are the main reason it is more focused on the economic benefits the foreign aid will bring rather than on China's national interest as the donor country.

According to the research (Jae Hyeok Shin, Kim, and Han Il Chang 2023), foreign aid can have political consequences for the recipient country. Foreign aid can prompt the citizens of recipient countries to question the government's legitimacy. On social media, some Indonesian citizens who did not vote for Prabowo Subianto (42%) questioned Prabowo's move to accept funds from the Chinese government. However, another study suggests that aid does not affect the state's legitimacy.

According to Putri Ardelia Maharani, Alliya Riyani Namira, and Tsalsabillah Viony Chairunnisa (2024), the Free Lunch Program by Prabowo Subianto and Gibran Rakabuming Raka, which they delivered during Indonesia's 2024 presidential campaign, is controversial. There were more than 204 million eligible Indonesian voters, of whom about 58% chose

Prabowo as the new President of Indonesia, starting in October 2024. This Free Lunch Program is seen as a progressive step toward alleviating the economic crisis for some lower-income Indonesian citizens. However, this program faces many obstacles, including limited financial resources, ineffective program management, and uneven distribution.

If this program goes well, it will involve many entities in the food supply chain, thus boosting the local economy. Because of that, the authors believe this program is not only a short-term solution but also an effort to build an inclusive, sustainable approach to the food access issue. Prabowo is aware of the difficulties this program faces; they aim to provide a nutritious free lunch in coordination with the National Nutrition Agency. Good planning, sufficient financial allocation, and effective coordination across multiple sectors, including the central and local governments and the private sector, are needed.

Prabowo aims to feed 82,9 children by 2029, the next presidential election year. This program is created to support around 1.5 million pregnant women in Indonesia. He agrees that the implementation is not easy. Therefore, he will prioritise the less developed area. However, many people criticise the Free Lunch Program because of the massive amount of money it requires. The budget can be as high as 450 trillion Indonesian Rupiah, or equivalent to more than 27,8 trillion USD.

4. Discussion

A good budget allocation is essential for the Free Lunch Program. It is also important for an even distribution; transparency is needed. This program has a good intention of not only eliminating hunger but also empowering the local community by creating new job opportunities and increasing access to education. This program will undoubtedly decrease economic pressure for lower-income families in Indonesia.

However, despite it seeming like a wonderful policy, it might not be sustainable. One of the problems I found is that Prabowo aims to reach the program's ultimate goal only in 2029, the next presidential election year. Looking at this fact, this program can be seen only as a political movement. If this is true, Prabowo will not face any pressure to ensure the program goes well after 2029, as he cannot run more than twice for the presidency. The second problem is the budget allocation, which is not enough for a nutritious meal. In December 2024, Prabowo stated that his government will allocate 10.000 Indonesian Rupiah, or approximately 0.62 USD. Many experts believe the budget will not be enough, especially in larger city areas and East Indonesia, which are typically more expensive.

The financial burden of this program can be reduced, or even banished, by the availability of foreign aid, especially from China, whose government has already signed an MoU with the Indonesian government. However, this stirs debate over whether it will create further dependency on the Chinese government by the Indonesian government. With this dependency, Chinese national interests will override Indonesian development goals.

Another problem that will most likely occur is corruption of the program's budget. Indonesia is known as a particularly corrupt country. To implement the Free Lunch Program, budget distribution is needed across multiple layers of stakeholders. With corruption, the budget will be reduced. Thus, the program will be only a formality and will not provide nutritious meals as programmed.

5. Conclusion

Foreign aid effectiveness is still debatable. In the case of Indonesia as a recipient country, I argue that foreign aid is needed to build the country, and it will be most effective if distributed without corruption. Historically, foreign aid can help Indonesia train its citizens for developmental projects. Indonesia has received donors from many different countries, including China. The most recent agreement between China and Indonesia is the funding of the free lunch program, which will reduce the financial burden on lower-income families in Indonesia.

The foreign aid will be effective if it can reach the goal and is sustainable. In this case, the implementation has many obstacles. I argue there are two main problems with this program. The first one is that this program might be used only as a political movement by Prabowo and the Chinese government. Prabowo aims to fully implement the program in 2029, the next presidential election year. China is also known for having a strong ambition to gain more power in the region. With that being said, Indonesia's foreign policy might favour China to secure funds, in other words, become dependent. The second main problem is the high risk of corruption stemming from a lack of transparency. In the end, it risks the meal provided only as a formality and far from being nutritious.

I recommend that the Indonesian government be transparent in order to prevent corruption. Indonesia's government also needs to balance the priority of its long-term development goals with China's national interests as the donor country, to avoid dependency.

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