

Bridging the policy gap of *Koperasi Desa/Kelurahan Merah Putih (KDMP)*: from national design to village level practices

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Abstract

This study examines the policy implementation gap between the national design of KDMP program and its implementation at regional and village levels, particularly in Riau Province. Using an exploratory qualitative approach, data were collected through literature review, focus group discussions, and in-depth interviews with key stakeholders. The analysis applies a gap analysis framework across five dimensions: policy content and context, institutional capacity, stakeholder participation, stakeholder roles and interests, and collaboration and digital governance. The findings reveal a significant discrepancy between rapid legal establishment and limited operational readiness. Although 1,866 KDMP units have been formally established in Riau, only a small proportion are operational in terms of business activation, financing access, and partnerships. This study contributes by developing a multilevel governance framework to explain how national policy design, local institutional capacity, and multi-actor collaboration shape policy outcomes. Strengthening institutional capacity, regulatory alignment, and collaborative networks is essential for ensuring the effectiveness of KDMP as a driver of inclusive rural development.

Keywords: policy gap, national design, KDMP, rural economic development, village level practices

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Introduction

The KDMP program represents a state-driven policy initiative aimed at restructuring rural economic governance through cooperative institutionalization. This program was stipulated through Presidential Instruction Number 9 of 2025 concerning the Acceleration of the Establishment of KDMP, which targets the establishment of 80,000 new cooperatives or the revitalization of old cooperatives throughout Indonesia. This Presidential Instruction emphasizes acceleration through data integration between institutions, budget support from the State Budget, Regional Budget, and Village Fund, as well as continuous assistance for cooperative administrators. Conceptually, KDMP is designed as a rural economic hub that integrates multiple business functions, including basic goods provision, financial services, logistics distribution, and local resource-based enterprises. Through this approach, cooperatives are expected to function as an instrument of inclusive economic development that can improve the welfare of rural communities.

As a follow-up, the Ministry of Cooperatives and SMEs issued Implementation Guidelines for the Minister of Cooperatives of the Republic of Indonesia Number 1 of 2025 concerning the Establishment of KDMP and the Circular Letter of the Minister of Cooperatives of the Republic of Indonesia Number 1 of 2025 concerning Procedures for the Establishment of KDMP, which serves as a technical guide in the formation,

management of membership, and institutional governance of cooperatives. On the financing side, Minister of Finance Regulation Number 49 of 2025 concerning Loan Procedures in the Context of KDMP Funding was issued, which provides a legal basis for village cooperatives to access official funding sources through the government-financial institution synergy mechanism. (2) This regulation emphasizes that the KDMP is not only formed as a formality, but is directed to be truly operational, transparent, and able to become the centre of village economic activities.

In general, the KDMP program has the main goal of shortening the supply chain, reducing extreme poverty levels, strengthening financial inclusion, and making village cooperatives the locomotive of MSMEs and the economic centre of the community at the grassroots level. (3) In addition, the government also encourages the digitization of cooperatives by using integrated applications for member registration, financial reports, and business unit management. This is in line with efforts to modernize cooperatives to be more adaptive in the digital era. In Riau Province, 1866 KDMP has been formed from 1862 Villages/Urban Villages spread across 12 Regencies/Cities. The following is data on the development of the formation of KDMP based on the status of legal entities in the village and in the urban village in Riau Province.

Table 1. Number of KDMP in Riau Province

Yes	Regency/City	Number of Village/Sub-district	Urban Village (Legal Entity)	Village (Legal Entity)	Number of Cooperatives (Legal Entities)
1	Kampar	250	8	242	250
2	Indragiri Hulu	193	16	177	193
3	Indragiri Hilir	236	39	198	237
4	Pelalawan	118	14	105	119*
5	Bengkalis	155	19	136	155
6	Siak	131	9	122	131
7	Rokan Hulu	145	6	139	145
8	Rokan Hilir	184	25	160	185
9	Kuantan Singingi	229	11	220	229
10	Meranti Islands	101	6	97	103*
11	Pekanbaru	83	83	0	83
12	Dumai	36	36	0	36
	Sum	1862	272	1596	1866

*1 Village/Urban Village Establishes 2 KDMP

Source: KDMP Dashboard, 2026

The Riau Provincial Government symbolically launched this cooperative in four regions, namely Kampar Regency, Pekanbaru City, Rokan Hulu Regency, and Bengkalis Regency, with the center of activities in Pulau Gadang Village, Kampar Regency. Pulau Gadang Village, located in Kampar Regency, is designated as one of the pilot villages of the KDMP in Riau Province. This determination is not without reason, because Gadang Island is considered to have village institutional readiness, considerable agricultural potential, and the commitment of the village government and the community in supporting the cooperative movement as a collective economic base. The Riau Provincial Government through the Cooperatives and SMEs Office has made Gadang Island the location for the launch of KDMP, with the hope that this village can become an implementation model for other regions in Riau.

However, several challenges are still faced in the implementation of the KDMP policy. Nationally, the formation of cooperatives is accelerating, but the activation of stalls and partnerships is still low in many regions. This finding indicates a structural misalignment between policy targets and local implementation capacity, reflecting a classic policy design–implementation gap. While the number of legally established cooperatives is substantial, the level of operational activation remains limited, indicating a significant gap between policy targets and implementation capacity. In Riau Province from 1866 KDMP was formed, only 106 already had active outlets. This disparity indicates that policy implementation has been largely successful in achieving formal institutional outputs but remains weak in generating functional economic outcomes. Another problem is seen from the financing aspect where until now the realization of loans has been held back due to derivative rules that are not yet available and the bank's Standard Operating Procedures (SOP) have not been completed, even though the umbrella has been issued, namely the Minister of Finance Regulation (PMK) No. 49/2025 concerning Loan Procedures in the context of KDMP funding and PMK No. 63 of 2025 concerning the Use of Surplus Budget Balances in the 2025 Fiscal Year for the Provision of Support to Distributing Banks Loans to KDMP. In addition, based on the results of a study/policy brief conducted by ICCI, several obstacles are (1) human resource capacity where the management of funds of Rp. 3-5 billion requires financial, business, operational and marketing management skills that are not always possessed by each village and there is still a lack of literacy related to supervision, (2) Economic scale where operations at the village level are often limited to resources and market reach. (3) Control by local elites so that there is the potential for misappropriation if governance is not tightened and the risk of fraud (Effendi et al., 2025).

Previous research related to KDMP highlights its strategic role in rural economic empowerment and the achievement of Sustainable Development Goals (SDGs) in Indonesia. Cooperative promotes inclusivity, democratic governance, and equitable profit sharing, significantly contributing to SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth) (Wijayanto et al., 2025). However, challenges such as limited education, inadequate managerial skills, and cultural resistance hinder effective implementation (Rahmi et al., 2025). Legal uncertainties regarding state financing and the potential undermining of cooperative autonomy further complicate its operational landscape (Hasanudin et al., 2025). Comparative performance analysis indicates that Village Unit Cooperatives (*Koperasi Unit Desa*, KUD) outperform non-KUD counterparts in terms of capital and member engagement, suggesting that cooperative structures can enhance economic resilience. Ultimately, the cooperative's success hinges on community participation, transparency, and robust local governance frameworks (Saputri et al., 2025).

Various studies have discussed the role of village cooperatives and local economic institutions in rural development, but most still have limitations in explaining the relationship between national policy design and its implementation at the local level. Village cooperatives play an important role in community economic empowerment, but the research still focuses on the micro level and has not discussed the policy linkage across levels of government. Masyhuri (2024) highlighted the importance of cooperative development in village development but has not analysed the acceleration of national policies and their impact on regional readiness. Vandy et al. (2025) examined the formation of the KDMP through a case study in one district, but the approach is still descriptive and geographically limited. Hilmawan et al. (2023) research emphasizes the influence of policy design and local capacity on the success of

Village-Owned Enterprises, which provides a theoretical basis for the importance of the relationship between policy design and institutional capacity. Meanwhile, Harsanto & Wahyuningrat (2024) found that weak governance is the cause of failure of collaboration between villages but has not linked it to national policies. Ginting et al. (2023) highlight the readiness of village governments in village financial management, while emphasize the role of Village-Owned Enterprises in village entrepreneurship. Based on this literature, this study fills the gap by analyzing the implementation of KDMP policies through a multi-actor approach and multi-level governance at the provincial level.

In contrast to previous research that generally highlighted village cooperatives as an instrument of community economic empowerment or as a local economic institution, this study places KDMP program in the perspective of national policies that involve coordination across levels of government and across actors. Most previous studies have discussed village cooperatives in terms of organizational performance, member participation, or access to capital, but are still limited in analysing the relationship between national policy design and the dynamics of its implementation at the regional and village levels.

This research offers a contribution by analysing the policy implementation gap between the national policy design of the KDMP and its implementation practices at the local level. In the policy implementation literature, the success of a public program is determined not only by the design of the policy, but also by institutional capacity, coordination between actors, and the suitability of the policy with the social and institutional context at the implementation level (Hill & Hupe, 2021; Mazmanian & Sabatier, 1989). In the context of KDMP, the acceleration of cooperative formation has resulted in high achievements in the aspect of institutional legality, but it has not been fully followed by operational readiness such as business unit activation, access to financing, and partnership development.

Conceptually, this study develops an analytical framework that integrates five dimensions of policy implementation, namely policy content and context, institutional capacity, stakeholder participation, stakeholder roles and interests, and collaboration and digital networking. Through this approach, this research makes a theoretical contribution to understanding the implementation of village development policies in the framework of multi-level governance and collaborative governance, as well as provides empirical evidence on the dynamics of KDMP implementation in Riau Province.

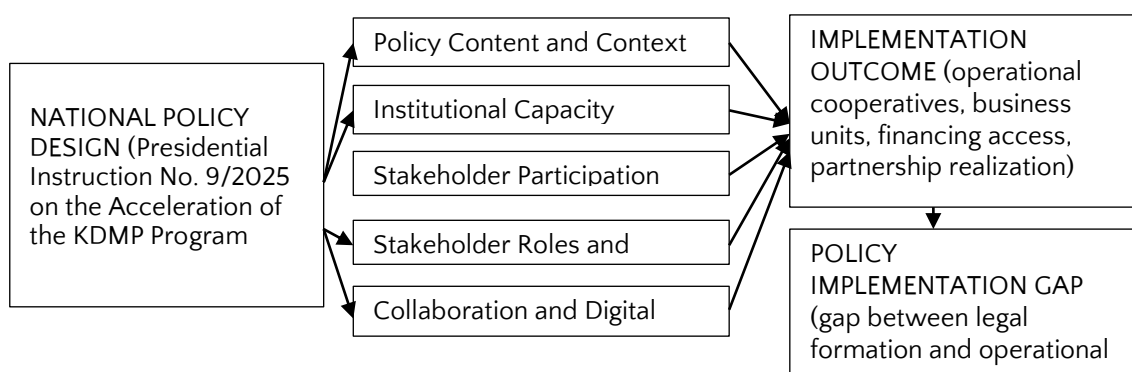


Figure 1. Conceptual Model of Policy Implementation Gap in the KDMP

Source: Developed by the authors based on theoretical synthesis

This research develops an analytical framework that integrates various theoretical perspectives in the study of policy implementation and governance. This

framework combines the policy implementation theories of Hill & Hupe (2021), the institutional theories of Scott, the public participation framework of Rowe & Frewer (2000), and the network governance approaches of (Provan & Kenis, 2007). The integration of perspectives is used to explain how national policy design, local institutional capacity, and dynamics of interaction between actors affect the policy implementation process at the regional and village levels. Based on the synthesis of the theory, this study develops a conceptual model of the gap in the implementation of the KDMP policy that describes the relationship between national policy design, institutional factors, stakeholder participation, and network collaboration in determining the performance of village cooperative policy implementation. This article uses official English translations for Indonesian policy instruments and institutions. When necessary, original Indonesian terms are provided alongside their English equivalents upon first mention, followed by standardized abbreviations for consistency throughout the manuscript.

Research Methods

This study uses a qualitative approach with an exploratory research type to understand the gap in policy implementation in the KDMP program. This approach was chosen to gain a deeper understanding of policy dynamics, institutional capacity, and interaction between actors in the implementation of village cooperative programs at the regional and village levels. Research data was obtained through several data collection techniques, namely literature studies, focus group discussions (FGDs), and in-depth interviews with various stakeholders involved in the implementation of KDMP. The research informants include provincial governments, district governments, village governments, cooperative associations, financial institutions, and other parties related to the development of village cooperatives.

The data were transcribed and analysed using thematic analysis to identify patterns across policy implementation dimensions. To enhance analytical rigor, the study employs a policy gap analysis framework that compares normative policy design with empirical implementation outcomes. The analysis process is carried out through several stages, namely reading the data repeatedly to understand the context of the information, conducting thematic coding to identify the main issues that arise from the field data, and grouping the data based on the similarity of themes and meanings relevant to the focus of the research. Furthermore, the data that has been categorized is compiled in the form of a policy analysis matrix to map the relationship between empirical findings and the conceptual framework of the research.

The analysis in this study uses a gap analysis approach, which is by comparing the ideal conditions set in the national policy design with the implementation conditions that occur at the regional and village levels. This analysis focuses on five main dimensions of research, namely policy content and context, institutional capacity, stakeholder participation, stakeholder roles and interests, and collaboration and digital networking. To increase methodological clarity, the research stages in this study are also presented in the form of a research flow diagram that describes the research process starting from problem identification, data collection, policy gap analysis, to drawing conclusions and formulating policy recommendations.

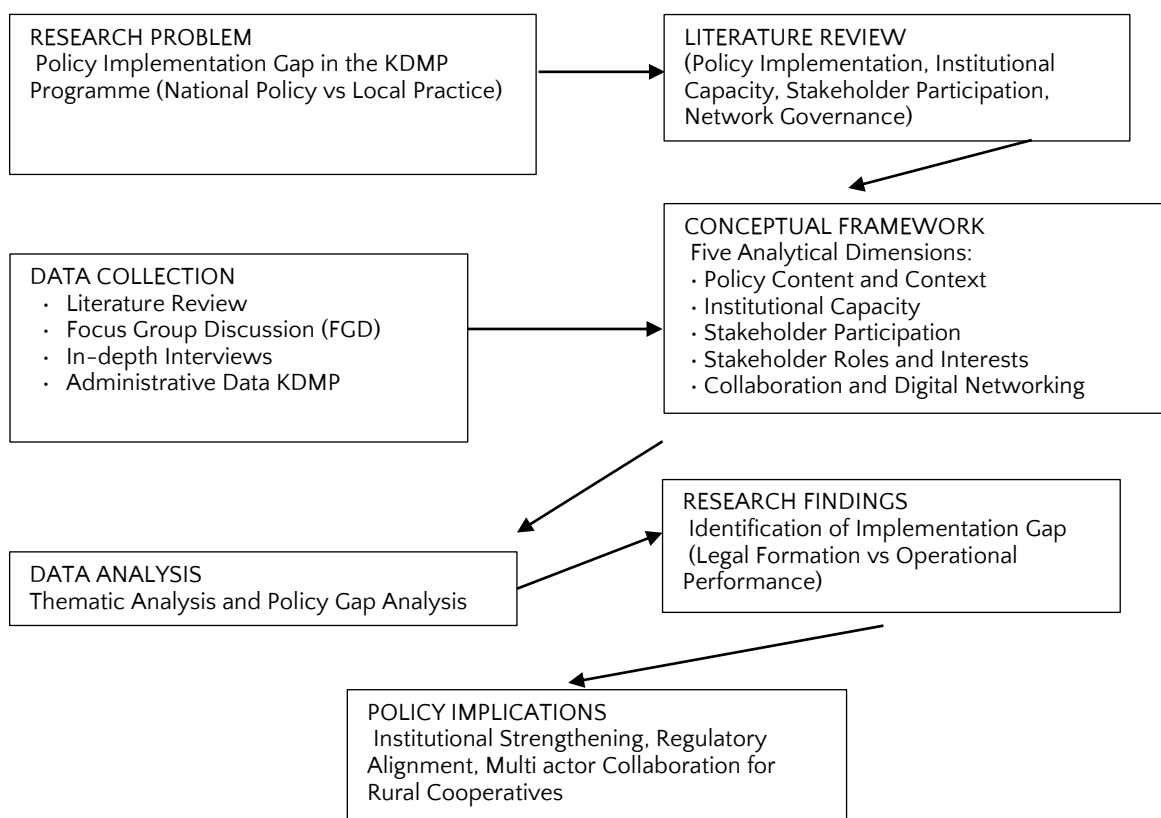


Figure 2. Research Framework and Analytical Flow of the KDMP Policy Gap Study
Source: Developed by the author based on the research and data analysis framework, 2025

Results and Discussion

To explain the gap in policy implementation in the KDMP program, this study operationalizes the concept of policy implementation gap through several observable indicators. The indicator includes a comparison between the number of cooperatives that already have a legal entity and the number of cooperatives that have activated business units, obtained access to financing, and established economic partnerships. Through these indicators, implementation gaps can be identified more systematically between national policy targets and operational achievements at the regional and village levels.

The establishment of new cooperatives within the framework of the KDMP in Riau Province is an important strategy to present a collective economic forum that can expand the access of village communities to economic activities. Through cooperatives, villagers can raise capital together, obtain necessities at affordable prices, market agricultural and plantation products without intermediaries, access microfinance services, and develop business units based on local potential. The Circular Letter of the Minister of Cooperatives No. 1 of 2025 stipulates the flow of the formation of KDMP which begins with: (1) special village deliberation to agree on the name, type of business, capital, membership, prospective management/supervisor, (2) establishment meeting and preparation of notary deeds, (3) ratification of legal entities through the AHU system, (4) integration or revitalization for existing cooperatives if relevant. Today's achievement results reflect the formal legal/legal readiness and administration of the establishment of the KDMP, as evidenced by the exceedance of the target achievement of 80,000 KDMP. The following is presented the status of the activation of KDMP outlets in Riau Province.

Table 2. Status of KDMP Outlet Activation and Partnership in Riau Province

No.	District	Number of Cooperatives (Legal Entities)	Number of Cooperatives That Already Have SIMKOPDES Accounts (Microsite)	Number of Cooperatives That Already Have Outlets (Minimum 1 Outlet)	Total Number of Active Cooperative Outlets	Number of Cooperatives That Have Submitted Partnership Applications (Application to SOEs)	Total Number of Partnership Application Submissions (Application to SOEs)
1	Kampar	250	63	16	29	2	15
2	Indragiri Hulu	193	22	3	7	2	6
3	Indragiri Hilir	237	21	5	11	0	0
4	Pelalawan	119*	43	3	3	0	0
5	Bengkalis	155	139	12	15	0	0
6	Siak	131	39	7	12	0	0
7	Rokan Hulu	145	16	8	12	0	0
8	Rokan Hilir	185	81	5	6	3	11
9	Kuantan Singingi	229	16	0	0	0	0
10	Meranti Islands	103*	87	12	15	0	0
11	Pekanbaru	83	64	0	0	0	0
12	Dumai	36	16	2	2	0	0
	Total	1866	609	69	106	7	32

*1 Village/Urban Village Establishes 2 KDMP

Source: KDMP Dashboard, 2025

The procedures for the formation and development of KDMP are regulated in the Circular Letter of the Minister of Cooperatives No. 1 of 2025 in response to Presidential Instruction No. 9 of 2025 where the formation process starts from March 2025 to June 2025. There are three mechanisms for the formation of KDMP that are adjusted to village conditions, namely the establishment of new cooperatives, the development of existing cooperatives, and the revitalization of cooperatives.

One of the main missions of the KDMP is to expand the access of village communities to basic services, including basic needs, financial services, and the distribution of agricultural products. KDMP is designed as a collective economic forum that presents 8 types of mandatory businesses to answer the basic needs of the community while strengthening village independence. Based on the Circular Letter of the Minister of Cooperatives and SMEs No. 1 of 2025 concerning General Guidelines for KDMP and strengthened by Presidential Instruction No. 9 of 2025 concerning the Acceleration of the Development of KDMP Funding, each KDMP is required to develop the following eight types of businesses: outlets/outlets providing necessities. Savings and Loan Units, Village Clinics, Pharmacies/Cheap Drug Outlets. cold storage/warehouses, logistics and distribution units, cooperative offices (administration & service canters), and other businesses based on local potential (e.g. agriculture,

livestock, fisheries, energy, clean water, village transportation, or cooperative digitalization). To provide a clearer picture of the development of Village Cooperatives. The following is presented data on the number of cooperative outlets that have been active based on the type of business unit.

Table 3. Number of Cooperative Outlets That Are Active by Cooperative Outlet In Riau Province

No.	Types of Outlets	Number of Cooperative Outlets That Are Active
1	Grocery Store (KopHub Embryo)	12
2	Village Pharmacy	4
3	Cooperative Office Outlets	65
4	Savings and Loan Business Unit Outlets (Embryo Kop Bank)	9
5	Village Clinic Outlets	4
6	Cold Storage/Cold Chain Outlets	8
7	Other Business Activities (Indonesian Standard Industrial Classification, KBLI 2020)	2
8	Fertilizer Kiosk	2

Source: KDMP Dashboard, 2025

Overall, these findings indicate an initial but still limited progression in the implementation of the KDMP program in Riau Province. The presence of several active cooperative outlets suggests that village cooperatives are beginning to assume their role as local economic institutions supporting inclusive development. However, the current level of operational activity remains insufficient relative to national targets. This condition implies that, while a foundational institutional structure has been established, further strengthening of operational capacity, market integration, and institutional support is required to enable cooperatives to function effectively as drivers of sustainable and competitive rural development in the context of Indonesia's long-term development agenda.

One of the real examples of the implementation of the KDMP in Riau Province can be seen in Pulau Gadang Village, Kampar Regency. This village became an initial pilot for the implementation of KDMP as well as a pioneer in operating various cooperative business units that are relevant to the needs of the local community. Until now, KDMP Pulau Gadang has developed six cooperative business units that are actively functioning: grocery, medications, offices include, village clinics, agriculture and horticulture, freshwater fisheries.

From the data Table 3, it reflects the real form of KDMP implementation at the village level which is not only engaged in the distribution sector of necessities, but also touches the fields of health, finance, agriculture, and local potential-based businesses. Implementation in Riau Province most of the new cooperatives were formed. The type of KDMP business in pilot villages such as in Pulau Gadang Village focuses cooperatives on basic economic services of the community, while Kualu Nenas Village optimizes cooperatives to strengthen the value chain of pineapples as a leading commodity. This policy is in line with the principle of inclusive development because it provides equal opportunities for people to participate, access markets, obtain capital, and utilize digital technology. However, challenges still exist, such as limited management capacity, low cooperative literacy, and large initial capital needs.

In addition to forming new cooperatives, the strategy of the KDMP also emphasizes the development of existing cooperatives, so that institutions that previously ran limited can be revitalized and strengthened. This approach is important because many village cooperatives in Riau have been established for a long time but have not been optimal in providing benefits to members.

Table 4. Measurement Indicators and Field Findings related to the Development of KDMP in Riau Province

No.	Measurement Indicators	Description/Field Findings
1	Institutional Revitalization	<ul style="list-style-type: none"> – The old cooperatives were restructured to comply with the KDMP guidelines, both in terms of organization, membership, and business units. – In Pulau Gadang Village and several other villages in Riau Province, village cooperatives that were previously passive were reactivated and directed to manage the type of basic food and savings and loan businesses.
2	Diversification of Business Units	<ul style="list-style-type: none"> – The old village cooperative that previously only focused on savings and loans was developed into a multipurpose cooperative. – Several villages in Kampar, have expanded their business types to include trading agricultural products, providing necessities, and logistics services.
3	Digitalization and Transparency	<ul style="list-style-type: none"> – Existing cooperatives are directed to adopt a digital recording system according to the technical instructions issued by the Government. – Using KDMP, members can also monitor financial and transaction reports, to increase management accountability.
4	Increasing Human Resources Capacity	<ul style="list-style-type: none"> – The local government through the cooperative office provides counselling, mentoring and training in modern management, cooperative accounting, and digital literacy to the old management. – The preparation of this mentoring work program aims to enable cooperatives to compete with modern economic mechanisms and in accordance with the needs of the community/market.
5	Synergy with Village Institutions and Village Development Programs	<ul style="list-style-type: none"> – The existence of cooperatives is synergized with existing village institutions such as Village-Owned Enterprises as a supply chain so that they can move the wheels of the village economy – In addition, integration with village development planning to ensure business sustainability.

Source: Research Processing Data, 2025

In addition to the option of forming a new or developing cooperative that is already there, the option of revitalizing the cooperative can also be done. The revitalization of this cooperative is interpreted as renewal/reviving/restoring existing village cooperatives. weak/inactive. In Riau Province, cooperative revitalization is one of the important strategies because there are many village cooperatives with the old format that are vacant or only administratively recorded such as those in Pulau Gadang Village, the old cooperatives are restructured into KDMP with the hope of becoming

more active in providing basic needs of the community. Meanwhile, in Kualu Nenas Village, the old cooperative has expanded its function into a multi-business cooperative that manages the potential of pineapple commodities from production, processing, to marketing. With support from the Regional Government through the Cooperative and SME Office and other stakeholders, this revitalization can be carried out and directed so that cooperatives are able to transform into active driving forces for the village economy.

Content and Context of the Policy

According to Hill & Hupe (2021), policy content is how far the policy design "locks" the process so that the goals are achieved from (a) clear and consistent objectives, (b) rational and evidence-based explanations, (c) hierarchical integration between institutions, (d) rules of implementing decisions, (e) recruitment/competence of implementers, (f) stakeholder access, (g) allocation of resources (budget/time). While the policy context is interpreted as the condition of the political-social problems that surround the implementation of the policy (Bayrakal, 2006; Mazmanian & Sabatier, 1989).

In general, the implementation of KDMP has been supported by a strong national regulatory framework and coordination between levels of government. However, the development of village cooperatives still faces obstacles in terms of managerial capacity of cooperative administrators at the local level. *"In terms of regulations, the development of KDMP already has a strong legal basis, such as the Minister of Finance Regulation Number 49 of 2025 concerning loan procedures in the context of funding village cooperatives. In addition, the provincial government also coordinates with the district/city government in implementing the direction of the KDMP National Task Force. Currently, the number of KDMP in Riau Province is recorded at around 1,862 cooperatives, but those that have been registered in the SIMKOPDES system are only around 554 cooperatives or around 30 percent. We are also preparing the recruitment of accompanying staff to help develop cooperative businesses. The main obstacle now is the limited knowledge of cooperative management, so business management training, business assistance, and understanding related to capital mechanisms are needed"* (Astro Sari, Riau Province Cooperatives and SMEs Office, FGD Pekanbaru 2025)

The findings of the interviews show that the implementation of KDMP in Riau Province still faces various challenges related to institutional capacity, human resource readiness, and public understanding of cooperative mechanisms. *"KDMP is a top-down policy so that many villages are not ready in terms of mental, financial, and human resources. In addition, the lack of policy socialization is also one of the obstacles in the implementation of the program."* (Ramlan, Riau Province Village Community Empowerment Office, FGD Pekanbaru 2025). This view was reinforced by other informants who assessed that the top-down KDMP policy has not been fully balanced with village readiness and lack of socialization to the community. *"The public's interest in KDMP is actually quite high, but there are still many who do not clearly understand how this cooperative mechanism works."* (LIRA NGO Representatives, FGD Kampar 2025).

The first gap is seen from the cooperative principle which is the initial basis for the formation of KDMP. The principle of cooperatives regulated in Law No. 25 of 1992 emphasizes that cooperatives are voluntary and open organizations, democratically

managed through the Member Meeting as the holder of the highest power, based on kinship and independence, with members as well as service owners and benefit sharing (SHU) according to participation. Different from that, KDMP was born from the acceleration agenda through the Presidential Instruction which sets quantitative targets for the formation, coordination across ministries and agencies, data integration, and prioritization of public funding support State Budget, Regional Budget, Village Budget including bank financing schemes. This condition has the potential to be a top-down policy that focuses on the achievements of the central program only. The Cooperatives Law places accountability on members through the Annual Member Meeting, while the KDMP adds a layer of accountability to the tiered government as a driver of acceleration.

In addition, the gap that arises due to the acceleration of the formation of KDMP where the legality of KDMP is achieved quickly, but is not accompanied by the activation of outlets, financing and partnerships that are balanced in accordance with the set timeline. In addition, at the local government level, not all provinces/districts/cities have mandated derivative rules such as (1) Regional Regulations related to the KDMP roadmap and commodity roadmap, (2) data integration and reporting and verification formats, (3) the format of cooperation between SOEs and KDMP and KDMP with Village-Owned Enterprise or other local partnerships, and (4) price transparency and member/consumer protection. At the Village SOP level, there are no SOPs that are operational and integrated with existing village institutions such as Village-Owned Enterprise.

At the practical level in the region, especially Riau Province in this first phase, the Riau Provincial Government has succeeded in establishing four *locations for the* KDMP namely, Kampar Regency, Rokan Hulu, Bengkalis, and Pekanbaru City as pilot areas, with the launch center in Pulau Gadang Village, Kampar. The Mock Up location must have or have run outlets, namely, basic food outlets, low-cost drug outlets/village pharmacies, village clinic outlets, savings and loan outlets, warehousing outlets and logistics vehicles. This shows that policies in Riau are not only oriented towards achieving quantitative targets (number of cooperatives) but are also directed to build a model of village cooperatives that can be an example for other villages and regions.

In terms of context, the KDMP policy in Riau is quite relevant to the real conditions of the village community. Riau Province has a strong village economic base, especially in the agriculture, plantation, and MSME sectors. However, in the implementation of the KDMP in Riau Province, there is still a gap between policy content and practice in the field. The main challenges include the lack of technical regulations that cover KDMP at the regional level, limited capacity of cooperative administrators, delays in the adoption of digital systems, and the need for initial capital to develop truly productive business units.

These findings show that the gap in policy implementation is not only influenced by the content of the policy, but also by the context of its implementation. The top-down approach to accelerating the formation of KDMP is indeed able to produce quick achievements in the aspect of institutional legality. However, this acceleration has not been fully followed by the readiness of operational regulations at the regional and village levels. The absence of derivative regulations, standard operating procedures, and technical guidelines for implementation causes local governments and village cooperative managers to face uncertainty in operating business units, establishing partnerships, and accessing financing. This condition shows that the gap between policy design and implementation practice arises due to the

difference between normative policy orientation at the national level and the institutional capacity available at the local level.

Institutional Capacity

Institutional Capacity is defined as the ability of institutions (rules, norms, and actors who manage organizations/collaborations) to reliably achieve public goals, coordinate actors, learn & adapt, and provide effective services (Scott, 2014). Scott's "three pillars" framework helps explain its foundations: the regulative (rules/sanctions), normative (values/standards), and cognitive-cultural (beliefs that are "taken for granted") that together underpin collective behaviour. Institutional capacity refers to the ability of institutions and actors involved in managing, implementing, and overseeing policy sustainability (Battisti et al., 2025; Scott, 2014).

In the context of the KDMP in Riau Province. From the structural aspect, the Riau Provincial Government has formed a KDMP acceleration officer unit as stated in Decree of the Governor of Riau No. KPTS.535/V/2025 on the Acceleration Task Force for the Establishment of the KDMP which stipulates the Governor of Riau as chairman, the Regional Secretary of Riau Province as Vice Chairman, the Head of the Industry, Trade, Cooperatives, and SMEs Office of Riau Province as secretary and all agencies in Riau Province become members. Meanwhile, at the district/city government level, which is the technical implementer of cooperative development, the preparation of derivative regional regulations, and field monitoring, the Task Force for the Formation of KDMP. The purpose of the formation of this task force is to facilitate the formation and management of KDMP, socialization, monitoring, evaluation, and supervision of programs, integration and reporting of data across regional agencies, as well as liaison of KDMP partnerships and financing.

Institutional capacity is a key factor that determines whether these policies are merely symbolic or truly effective as an instrument of inclusive development. Previous research confirms that farmer institutions are often not fully geared toward strengthening access to the technologies, capital, and markets needed to thrive (Yuniati & Susilo, 2019). Therefore, strengthening the institutional capacity of cooperatives needs to include aspects of planning, organizing, leadership, and supervision.

Further, institutional capacity is influenced by member participation, leadership roles, external support, and organizational dynamism that allows for the creation of sustainable adaptations (Saepudin Ruhimat, 2017). This is in line with the view that cooperatives not only function as economic institutions but also instruments for equitable access to assets and economic independence of the community. Thus, the success of the implementation of KDMP in Riau will be largely determined by how far institutional capacity can be built and managed to meet the needs of the village community in real terms. The following is a matrix of mapping institutional capacity and obstacles in the formation and development of KDMP in Riau Province.

Institutional capacity is one of the important factors that affect the successful implementation of KDMP policy in Riau Province. In terms of local government capacity, the Riau Provincial Government, in coordination with district and municipal governments, demonstrates institutional commitment to the KDMP program through the strategic designation of pilot areas as initial implementation sites, such as Kampar, Pekanbaru, Rokan Hulu, and Bengkalis. In its implementation, the Cooperatives and SMEs Office in each region plays the role of a technical facilitator who supports the cooperative legalization process, provides training to cooperative managers, and provides operational assistance for village cooperatives. However, bureaucratic capacity

still faces various obstacles, such as limited number of assistants, lack of consistency in the monitoring process, and limited operational budget for assistance activities in the field.

At the village level, the Institutional Capacity of Village Cooperatives is still in the early stages of development because most of the new KDMP is formally formed. For example, in Pulau Gadang Village, a cooperative management structure has been formed and has begun to run a business of providing basic needs of the community, which is marked by the ratification of the cooperative legal entity through Decree Number Ahu-0003769.Ah.01.29.Year 2025 and a notary deed of the establishment of the cooperative on May 17, 2025. However, the institutional capacity of cooperatives still needs to be strengthened, especially in the aspects of financial governance, digitization of cooperative management, and the development of data-based business management. A similar condition can also be seen in Kualu Nenas Village, where although the village has the potential for superior commodities in the form of pineapples, the ability of cooperatives to develop economic value chains from production, processing to marketing is still limited.

In addition, Human Resource Capacity is also the main challenge in the development of KDMP in Riau Province. Most of the cooperative managers come from community leaders or village officials who do not have adequate experience in managing digital-based modern businesses. Although the local government has provided training to cooperative administrators, the program is still sporadic and does not cover all the necessary managerial aspects, such as digital marketing, cooperative accounting, and product innovation based on local potential.

In terms of Regulatory Capacity and Policy Support, the legal framework of KDMP nationally is quite strong, as reflected in Presidential Instruction Number 9 of 2025, Circular Letter of the Minister of Cooperatives Number 1 of 2025, and Minister of Finance Regulation Number 49 of 2025 which regulates KDMP financing. However, the implementation of this policy in Riau Province still faces obstacles because there are no derivative regulations available at the provincial and district/city levels. The absence of technical rules regarding the financing mechanism for village cooperatives, incentive schemes for cooperative managers, and the integration of KDMP with other village development programs such as Village Funds and Village-Owned Enterprise are one of the factors that hinder the optimization of cooperative operations.

In addition to institutional and regulatory factors, the success of KDMP implementation is also influenced by the level of Synergy Between Stakeholders. In several areas such as Bengkalis, the local government has provided intensive assistance to village cooperatives so that cooperatives can operate faster, including through the obligation to input member data into the national digital system. However, in other areas, coordination between the cooperative office, village government, and community groups is still relatively weak, so cooperative operations have not run optimally. This condition shows that strengthening coordination and collaboration between actors is an important factor in increasing the institutional capacity of village cooperatives in supporting the successful implementation of the KDMP program in Riau Province.

Limited institutional capacity is one of the main factors that affect the low level of cooperative activation at the village level. Many KDMP managers come from village officials or community leaders who have limited experience in cooperative business management, financial management, and business network development. This condition causes cooperatives that have been legally formed to be unable to develop

business units in a sustainable manner. In addition, limited human resources also affect the ability of cooperatives to access information about financing opportunities and business partnerships. Thus, the gap in policy implementation is not only related to the regulatory aspect but also related to the ability of local actors to translate policies into effective operational practices.

Stakeholder Participation

Participation in a broad sense is defined as a set of procedures designed to consult, engage, and inform the public so that affected parties have real input into decisions with an increased level of involvement to a two-way dialogue that gives some decision-making authority to citizens (Rowe & Frewer, 2000).. Some of the measurement criteria for participation are; Acceptance criteria (making the method acceptable to the public): representativeness (participant representation), independence (facilitator process/neutrality), early involvement (involvement since the value issue arises), influence (output really affects policy and looks like so), and transparency (process, selection, and reason for decisions can be searched by the public). Process criteria (ensuring the process runs effectively): resource accessibility (access to information, experts, resources, time), task definition (clear scope and expectations from the beginning), structured decision making (mechanisms that structure and document the reasons for the decision), and cost-effectiveness (Cornwall, 2008; Rowe & Frewer, 2000).

Stakeholder participation can be seen from each level of government ranging from the central government, local governments (Provinces and City Regencies) to Village Governments and other actors outside the government involved in the formation and development of KDMP. The central government, through the Ministry of Cooperatives and SMEs, is the main actor in the formulation of regulations and technical guidelines, including Presidential Instruction No. 9 of 2025, Ministerial Decree No. 1/2025, and Minister of Finance Regulation No. 49/2025. The role of the central government also includes funding facilitation, digitization of cooperatives through integrated applications, and national monitoring. This participation shows a commitment to ensure that KDMP is not only administrative, but also substantive in encouraging the village economy. The follow-up to the implementation of the formation of KDMP throughout Indonesia is divided into 4 stages: The first stage (Establishment of 81,500 KDMP units throughout Indonesia, a total of 81,380 KDMP units have been incorporated into legal entities), the second stage (Operationalization of KDMP that has been formed, Integration of KDMP into Village Cooperative Management Information System (*Sistem Informasi Koperasi Desa Merah Putih*, SIMKOPDES), Access to Financing and Partnership, Third Stage (Monitoring and Evaluation of the Implementation of the KDMP Program), and the fourth stage (Strengthening KDMP Business Operations).

Regional Governments (Provinces and Regencies/Cities), Riau Provincial Government play a role as coordinators for the implementation of KDMP in their areas. The support of the local government can be seen in the determination of Pulau Gadang Village as the center for the launch of KDMP, as well as intensive assistance in other areas such as Bengkalis and Rokan Hulu. The district/city government through the SME Cooperative Office becomes a technical facilitator, assisting in the legalization of cooperatives, training administrators, and ensuring the input of member data in the digital system. However, the participation of local governments is still diverse in some districts and is active, while in other areas there is still minimal coordination.

Community participation in the formation of KDMP is generally carried out through the village deliberation mechanism. One of the village heads explained that the process of forming cooperatives was carried out in a participatory manner by involving various elements of the community. "*The establishment of KDMP in Pulau Gadang Village was carried out through village deliberations attended by village officials, Village Consultative Body and community leaders. The initial capital of the cooperative also comes from members' dues.*" (Head of Pulau Gadang Village, 2025 Kampar FGD) However, the level of community participation is not always evenly distributed in all regions. "*Community participation is still a challenge because some people are more interested in short-term profits than in managing cooperatives collectively. In addition, many cooperative members are formed from groups that have kinship relationships.*" (Kualu Nenas Urban Village Head, Kampar FGD 2025). This shows that the success of village cooperatives is not only determined by the formation of institutions, but also by the level of community involvement in cooperative management.

The Village Government and Apparatus are at the forefront of the formation of cooperatives. They play a role in village deliberations to form management, establish business units according to local potential, and encourage community participation as cooperative members. In Pulau Gadang Village, the village government is quite active in overseeing the cooperative so that it is immediately operational. Meanwhile, in Kualu Nenas Village, the village government is trying to encourage cooperatives to focus on processing pineapple commodities as superior products.

Village Communities and Cooperative Members, Village Communities are core *stakeholders* as well as direct beneficiaries of KDMP. Their level of participation can be seen in participation as members of cooperatives, capital contributions, and involvement in business activities. However, there are still challenges in the form of low public understanding of the benefits of cooperatives and the tendency to wait for instant results. The level of community participation in the pilot villages (Pulau Gadang and Kualu Nenas) is relatively high based on the minutes of the special village deliberations that have been held attended by as many as 70 people from various walks of life.

Supporting Institutions and Academics, *Other stakeholders* who play a role are supporting institutions such as cooperative notaries for the legalization of legal entities, banks and financial institutions for access to capital, as well as universities that can provide research assistance and strengthen cooperative management. In Riau, the involvement of academics is starting to be seen through research activities and *pilot projects* related to KDMP, although their participation still needs to be increased to be more systematic.

The private sector and NGOs, the private sector (e.g. *local product off-takers* or distributors) have great potential to support KDMP by opening market access for village products. Meanwhile, NGOs can play a role in community empowerment and policy advocacy. However, the involvement of these two parties in Riau is still limited and focuses more on pilot areas than other areas.

The result of the study reflects that the level of stakeholder participation in the implementation of KDMP still varies between regions. This difference is influenced by the level of community understanding of the benefits of cooperatives and the extent to which the village government can encourage community involvement in cooperative management. In some cases, the process of forming cooperatives is driven more by the policy acceleration agenda than by the collective initiative of the community. This condition causes the level of social ownership (sense of ownership) of cooperatives to

be relatively limited. As a result, members' participation in cooperative economic activities has not developed optimally, which ultimately affects the sustainability of village cooperative operations.

Table 5. The Role and Interests of Stakeholders in the Establishment and Development of KDMP

Stakeholder		Role	Interests
Central Government (Ministry of Cooperatives and SMEs, Ministry of Finance)		Drafting regulations (Presidential Instruction No. 9/2025, Circular Letter No. 1/2025 and Minister of Finance Regulation No. 49/2025 funding facilitation; Digitization; National Monitoring	Carrying out the national agenda of inclusive development; making cooperatives the locomotive of the people's economy; Extreme poverty alleviation
Riau Provincial Government		Coordination of the implementation of KDMP at the provincial level; choose a pilot area; Regional Policy Support	Supporting the achievement of regional development targets; strengthening the local economy; Improving the Competitiveness of the Province
Regency/City Government (SME Cooperative Office)		Technical assistance, legalization, training, monitoring of village cooperatives	Strengthening MSMEs and local cooperatives; Improving the welfare of the local community
Village Government		Deliberation on the formation of KDMP; organizing the community; Facilitate business units according to local potential	Village independence; economic solutions for citizens; Strengthening the legitimacy of local leadership
Community/Cooperative Members		Be a member/owner of a cooperative; Join the effort; supervise the running of the cooperative	Fairer economic access: the price of the product is stable; Direct Benefits (Business & Microfinance)
Supporting Institutions (Notaries, Banking, Academics)		Notary: legalization of legal entities	Supporting institutions strengthen the formation and development of KDMP. Notaries ensure the legality of cooperative legal entities, banks provide access to business financing, while academics contribute through mentoring, management capacity building, and the development of cooperative business innovations based on the local economic potential of the village.

Source: Research Processing Data, 2025

Actors/stakeholders are understood as parties who have an interest in the issues discussed or affected by the decision/outcome, so they need to be considered in the analysis and policy process. This definition is often summarized in advanced literature as an actor who has an interest in the issue or is affected by it. Actors (Varvasovszky, 2000) are reflected in their positions and influence in the policy process, while interests refer to the degree of interconnectedness/benefits and/or losses they feel to the issue;

both are operationalized through indicators of position, level of importance, and level of influence (Bryson, 2004; Varvasovszky, 2000)

The formation and development of KDMP involve various stakeholders ranging from the Central Government through the Ministry of Cooperatives and the Ministry of Finance, Regional Governments (Provinces/Regencies/Cities), Village Governments, Village Communities and Cooperative Members as well as other supporting institutions such as notaries, banks and academics. The following is a matrix of mapping the roles and interests of stakeholders in the formation and development of KDMP.

Collaboration and Networking

Collaboration is a process when parties who see aspects of a problem differently explore differences constructively and seek solutions beyond their respective interests (Battisti et al., 2025; Gieseke, 2019). Collaboration is understood as a cross-organizational interdependence relationship managed through five process dimensions: governance, administration, autonomy, mutuality, and norms (trust/reciprocity) (Thomson & Perry, 2006). Networks are interpreted as an interrelated organizational cluster to achieve common goals, managed through network governance modes (shared governance, lead organization, network administrative organization) that affect effectiveness (Provan & Kenis, 2007). Inter-organizational networking in public service is defined as a coordinated multi-organizational arrangement to deliver client/community outcomes, with effectiveness measured at the client, organization, and community levels (Provan & Kenis, 2007).

The implementation of KDMP also involves the coordination of various actors, ranging from local governments, village governments, to financial institutions. *"The provincial government plays a role in facilitating training and assistance for cooperatives, while the district/city government is responsible for accelerating the formation of cooperatives."* (Riau Provincial Cooperative Office, FGD Pekanbaru 2025). However, coordination between actors still faces various obstacles in implementation practice. *"The supply of goods from several business partners is not always consistent, so cooperative business activities have not run optimally."* (Head of Pulau Gadang Village, 2025 Kampar FGD).

Based on the data presented in Table 2, the number of partnership applications submitted by cooperatives to state-owned enterprises (SOEs) remains relatively low. Among the 12 districts/cities, only a small number of regions have taken concrete action, with Indragiri Hulu recording 8 submissions, while Kampar 17 and Rokan Hilir each registered 14 submissions. In contrast, most other districts/cities have not yet initiated the application process. This situation indicates that although cooperatives in Riau have begun to show growth, as reflected in the increasing number of active outlets, particularly in Kampar, Bengkalis, and Rokan Hulu, their capacity to access partnership networks is still limited.

In fact, collaboration with the private sector and non-governmental organizations (NGOs) is highly important in accelerating the independence and sustainability of village cooperatives. Such partnerships can expand access to capital and investment through additional financial support, grant-based funding, and corporate social responsibility (CSR) programs aimed at strengthening village economies. They can also facilitate the transfer of knowledge and technology, with private partners contributing to improvements in production quality and the introduction of innovations in agriculture, fisheries, and distribution systems, while NGOs provide institutional mentoring and cooperative management training.

Furthermore, partnerships can open wider market access by enabling village cooperatives to enter private-sector supply chains and secure more reliable distribution channels for basic food commodities, agricultural products, and fisheries. NGOs also play a crucial role in strengthening social capacity by promoting social inclusion and ensuring that women and vulnerable groups are meaningfully involved in the management and development of village cooperatives.

In Riau Province, the potential for partnerships is very large considering the existence of plantation, fisheries, and oil and gas companies operating in various districts. The CSR programs of these large companies can be directed to support the sustainability of KDMP. In addition, several NGOs that focus on village and environmental empowerment also can be involved to strengthen the institutional capacity of cooperatives.

Thus, although the initial achievements are still limited, the direction of KDMP development in Riau needs to place partnerships with the private sector and NGOs as the main strategy. This collaboration will be a catalyst for village cooperatives to not only survive but also grow as a driving force for sustainable inclusive development. For example, in the Pulau Gadang KDMP, which has partnered with various parties, currently there are five cooperation agreements that have been implemented, namely; The cooperation agreement with *PT. Pupuk Indonesia*, Cooperation Agreement with PT. POS Indonesia, Cooperation agreement with PT. Kimia Farma Apotek, Cooperation agreement with PT. Rajawali Nusindo Pekanbaru Branch, Cooperation agreement with Public Company State Logistics Kampar Branch Office.

The low realization of partnerships between village cooperatives and State-Owned Enterprises (SOEs) reflects that the collaboration network between actors has not been optimally formed. Although national policies have encouraged the development of economic partnerships as part of the strategy to strengthen village cooperatives, their implementation at the regional level still faces several obstacles. Limited managerial capacity of cooperatives, lack of access to information about partnership opportunities, and lack of a clear coordination mechanism between local governments, cooperatives, and potential business partners are factors that affect the low level of partnerships. This condition reflects that the successful implementation of village cooperative policies is highly dependent on the ability of local actors to build effective collaboration networks.

Digital Collaboration and Information Networks

Digital collaboration is understood as the ability to share and coordinate information with partners through digital channels so that cross-organizational collaboration takes place effectively and results in service/product innovation (Li et al., 2022). This formulation is often referred to as digital collaboration capability. Recent literature reflects collaboration and the use of digital technology reinforce each other in achieving sustainability/strategic goals (Zainal-Abidin et al., 2023).

Digitalization is the main pillar of KDMP. The central government provides an integrated village cooperative application that functions as a national KDMP information network directed using Village Cooperative Management Information System. As part of efforts to modernize cooperative institutions, the Ministry of Cooperatives and SMEs launched SIMKOPDES. This digital platform is designed to monitor, manage, and connect village cooperative activities in *real-time*. SIMKOPDES functions as an integrated *dashboard* that contains data on cooperative institutions, the number of members, running business units, and the achievements of partnerships with

external parties. Through this system, the government can carry out more transparent supervision, while village cooperatives have digital recording facilities that are accountable and easily accessible. Furthermore, SIMKOPDES supports: (1) Transparency, all cooperative activities, both administrative and business, are documented and can be monitored openly by members and stakeholders. (2) Modernization, village cooperatives are no longer managed manually but are connected in a digital ecosystem that allows integration with banks, state-owned enterprises, the private sector, and NGOs. (3) Strengthening the People's Economy, with a valid and updated database, the government can distribute assistance, financing, and partnership programs in a more targeted manner.

In the context of Riau Province, SIMKOPDES is an important instrument to assess the extent to which village cooperatives have been formed, how many business units are already running, and which districts/cities are the most progressive. For example, Bengkalis Regency recorded the highest number of SIMKOPDES accounts, while Indragiri Hulu stood out in the application of partnerships with SOEs. This data can be accessed and analysed directly through the platform, making it easier to evaluate and formulate regional policies. Thus, SIMKOPDES is not only a reporting application, but also a tool for the digital transformation of village cooperatives to a more professional, adaptive, and sustainable institution.

Although SIMKOPDES is designed as a digital platform to improve transparency and integration of village cooperative data, its implementation still faces various challenges at the local level. One of the main obstacles is the limited digital literacy of cooperative managers and the difference in the level of readiness of technological infrastructure between village areas. In some cases, cooperative managers still face difficulties in operating digital systems and utilizing available data to support organizational decision-making. This condition reflects that the digitalization of cooperatives not only requires the provision of technology but also requires strengthening the capacity of human resources and institutional support so that the digital system can be optimally utilized in the management of village cooperatives.

Based on the analysis of five main dimensions, namely policy content and context, institutional capacity, stakeholder participation, stakeholder roles and interests, and collaboration and digital networking, the gap in policy implementation in the KDMP program can be understood as the result of interaction between various structural factors in the policy governance system. The acceleration of the formation of cooperatives through top-down national policies, as stipulated in Presidential Instruction Number 9 of 2025, has succeeded in increasing the number of legally formed cooperatives in a relatively short time.

However, this acceleration has not been fully followed by the readiness of institutional capacity at the regional and village levels. Limited human resources, the unavailability of derivative regulations at the regional level, and variations in the level of community participation have caused many cooperatives that have been formally formed to not be able to operate business units optimally.

On the other hand, differences in interests and the level of influence between actors in policy implementation also affect the effectiveness of coordination between institutions. This condition is strengthened by the limited economic collaboration network and challenges in the adoption of digital systems such as SIMKOPDES at the village level.

Thus, the gap in KDMP policy implementation not only reflects the difference between policy design and implementation practice but also demonstrates the importance of integration between national policy design, local institutional capacity, and collaboration mechanisms between actors in supporting the success of village economic development.

Conclusion

This study reflects that the gap in policy implementation in the KDMP program is not only caused by a single factor but is the result of the interaction between national policy design, local institutional capacity, and the dynamics of collaboration between actors in a decentralized government system. Although the acceleration of the formation of cooperatives through Presidential Instruction Number 9 of 2025 has succeeded in increasing the number of legally formed cooperatives, this achievement has not been fully followed by the operational performance of cooperatives at the village level. This gap can be seen from the limited number of cooperatives that are able to activate business units, obtain access to financing, and establish economic partnerships with other institutions. These findings suggest that the acceleration of top-down policies needs to be balanced with strengthening institutional capacity and supporting operational regulations at the regional level.

Conceptually, this study emphasizes the importance of integration between national policy design and institutional readiness at the local level in the implementation of village development programs. Strengthening human resource capacity, harmonizing regulations between central and regional governments, and developing multi-stakeholder collaboration networks are key factors to reduce policy implementation gaps. In the context of decentralized governance, the success of village cooperative programs is highly dependent on the ability of local actors to translate national policies into operational practices that are in accordance with local social and economic conditions.

The research can further expand the analysis by comparing the implementation of KDMP in various provinces in Indonesia and further explore the role of digital innovation and economic partnerships in improving the sustainability of village cooperatives as an instrument of inclusive economic development.

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