

DEVELOPMENT POLICY FOR THE MERAH PUTIH VILLAGE COOPERATIVE: A PERSPECTIVE ON THE CONSTITUTION AND COMMUNITY WELFARE

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Abstract

The Red and White Village/Village Cooperative (KDMP) is a national policy that targets the establishment of 80,000 cooperatives through Presidential Instruction Number 9 of 2025. This study aims to analyze the suitability of the policy with Article 33 of the 1945 Constitution of the Republic of Indonesia and its contribution to the welfare of village communities. The research uses normative legal methods with legislative, case, comparative, theoretical, and philosophical approaches. Primary and secondary legal materials are analyzed qualitatively-prescriptively with the framework of thesis dialectic, antithesis, and synthesis. The results of the study show that KDMP has strong constitutional legitimacy, but its implementation faces problems in the form of weak legal position and certainty of policy instruments, tensions between the mobilization approach from above and the principles of voluntariness and cooperative democracy, the dependence of financing schemes on Village Funds that have the potential to erode village autonomy, as well as fiscal risks and limited governance capacity. The research recommends strengthening the legal basis through the reform of the Cooperative Law, reconstruction of risk-sharing-based financing schemes, strengthening governance and supervision, and measuring the impact of welfare on a sustainable basis.

Keywords: *Red and White Village Cooperative; Article 33 of the 1945 Constitution; Welfare; Village Fund; Development Policy.*

A. BACKGROUND

The Constitution places cooperatives in a central position in the national economic order. Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia (1945 Constitution) emphasizes that the economy is structured as a joint venture based on the principle of kinship, and Article 27 paragraph (2) guarantees a decent livelihood for every citizen. The President then issued Presidential Instruction Number 9 of 2025 concerning the Acceleration of the Establishment of Merah Putih Village/Village Cooperatives (Presidential Instruction 9/2025) targeting 80,000 cooperatives in all villages and sub-districts, with services including basic necessities, savings and loans, clinics, pharmacies, and warehousing of agricultural products.¹ The Central Statistics Agency recorded a national poverty rate in March 2025 of 8.47 percent or around 23.85 million people, with rural poverty (11.03 percent) higher than urban poverty.² The contribution of cooperatives to gross domestic product is still around one percent, far from its position as a socio-guru.³

The funding needs for the establishment of 80,000 cooperatives reportedly reach around Rp400 trillion with the support of the State Budget, Regional Budget, Village Fund, and Himbara bank.⁴ The government places Rp16 trillion of the Surplus Budget Balance in Himbara banks, while the Village Fund can be a source of loan repayment.⁵ There is a gap between *das sollen* and *das sein*. Normatively, cooperatives should grow from, by, and for members voluntarily and democratically and state finances must be managed for the maximum prosperity of the people (Article 23 paragraph (1) of the 1945 Constitution).⁶ In reality, the formation is pursued with

¹ Presidential Instruction Number 9 of 2025 (signed March 27, 2025); "Prabowo Issues Presidential Instruction on the Establishment of 80,000 Cooperatives", Antara, 2025.

² Central Statistics Agency, Poverty Profile in Indonesia March 2025, Official Statistics News, July 2025.

³ Ministry of Cooperatives and SMEs, Performance Report (various years).

⁴ detikFinance, April 21, 2025.

⁵ PMK Number 63 of 2025; Permendes PDT Number 10 of 2025.

⁶ Article 5 paragraph (1) of Law Number 25 of 1992 concerning Cooperatives.

a strict time target so that it has the potential to become an administrative mobilization; the legal basis is in the form of presidential instructions that do not include the hierarchy of laws and regulations; and the financing rests on loans that can be repaid with the Village Fund, thus posing a risk to the autonomy of the village and the state's finances.

The experience of Village Unit Cooperatives (KUD) during the New Order period also shows that state-formed cooperatives are vulnerable to losing their identity.⁷ The turning point of this study is not to reject policies, but to reconstruct them juridically through strengthening the legal basis, financing risk sharing, and governance so that welfare is achieved without sacrificing the identity of cooperatives and village autonomy. The national economy in Article 33 paragraph (1) of the 1945 Constitution is designed based on the principle of kinship with cooperatives as its main pillar. However, there is a gap between constitutional expectations (*das sollen*) and empirical reality (*das sein*). On the one hand, the issuance of Presidential Instruction No. 9 of 2025 is a strategic step by the government to accelerate the establishment of 80,000 Merah Putih Village/Urban Cooperatives in order to erode the rural poverty rate which still touches 11.03 percent.

Presidential instruction instruments that are outside the hierarchy of laws and regulations (Article 7 of Law No. 12 of 2011) and hasty time targets risk repeating the failure of the KUD during the New Order period, namely making cooperatives mere top-down administrative mobilizations rather than non-governmental movements. The risk is even more evident when financing worth hundreds of trillions of Rupiah is tied up through bank loans charged to the Village Fund, which directly threatens the financial autonomy of the village and the principle of cooperative independence (*khas / sui generis*).

⁷ Eko, S., Khasanah, T. I., Widuri, D., Handayani, S., Handayani, N., & Qomariyah, P. (2014, February). Villages to build Indonesia. In Yogyakarta: Village Renewal Development Forum (FPPD).

B. RESULTS AND DISCUSSION

1. Current Policy Conditions of Merah Putih Village Cooperative

The KDMP policy is based on Presidential Instruction 9/2025 signed by the President on March 27, 2025. This instruction assigns ministers, governors, as well as regents and mayors to accelerate the formation of cooperatives in villages and sub-districts, with a division of roles: the Ministry of Cooperatives develops business models and training, the Ministry of Villages facilitates socialization and land, the Ministry of Finance regulates fiscal support, and the Ministry of SOEs supports the Himbara bank as a source of funding.⁸ The institutions can be in the form of new cooperatives, the development of existing cooperatives, or revitalization, and their formation through Special Village/Village Deliberation led by the village head or sub-district.⁹ The derivative instruments include the Regulation of the Minister of Cooperatives Number 9 of 2025 concerning the distribution of loans or revolving fund financing to Merah Putih Village/Village Cooperatives.

Regulation of the Minister of Finance Number 63 of 2025 concerning the placement of Surplus Budget Balance funds in banks, and Regulation of the Minister of Villages and PDT Number 10 of 2025 concerning the approval of village heads in KDMP financing.¹⁰ Bank Himbara plays the role of a government investment operator that distributes financing to cooperatives, while the government provides liquidity support. KDMP financing is multi-layered. Presidential Instruction 9/2025 opens sources from the State Budget, Regional Budget, Village Fund, and Himbara bank. The government emphasized that the initial capital per cooperative, which is reported

⁸ Presidential Instruction Number 9 of 2025, especially the Eighth Dictum on funding; "Prabowo Issues Presidential Instruction on the Establishment of 80,000 Cooperatives in Every Village", Antara, 2025.

⁹ Nisa Hayyu Rahmia, "Source of Merah Putih Cooperative Funds, State Budget or Himbara Loan?", Tirto.id, 2025.

¹⁰ Regulation of the Minister of Cooperatives Number 9 of 2025; PMK Number 63 of 2025 (signed August 28, 2025); Permendes PDT Number 10 of 2025. See also "Sri Mulyani Disburses IDR 16 Trillion in Funds to Himbara for Kopdes", Economic News, 2025.

to be up to IDR 3 billion with a maximum repayment period of six years, does not come from the State Budget but from loans.¹¹ Village funds can be used as a source of return, and the Minister of Villages stated that in the event of a default, cooperatives are not obliged to return the village funds that have been used.¹² The government reports that tens of thousands of cooperatives have been incorporated and launched institutionally in July 2025, with the phased operationalization of the service. Achievement data is dynamic so it needs to be verified with the latest official report.

Constitutionally, the KDMP policy relies on Article 33 paragraph (1) of the 1945 Constitution. Mohammad Hatta interprets the principle of kinship as a form of collectivity and help, and views cooperatives as a business building that is most in accordance with this principle.¹³ Jimly Asshiddiqie called this provision part of the "economic constitution" that binds the direction of state policies.¹⁴ In addition, Article 27 paragraph (2), Article 28H paragraphs (1) and (3), and Article 34 require the state to strive for a decent livelihood and social security. Thus, policies directed to drive the village economy through cooperatives have strong constitutional legitimacy. The problem is not whether the state can develop cooperatives, but how it is done.

First, from the philosophical side, cooperatives are the elaboration of the fifth precept of Pancasila. Mubyarto emphasized that the Pancasila Economy is characterized by the role of

¹¹ Nisa Hayyu Rahmia, "Source of Funds for the Red and White Cooperative, State Budget or Himbara Loan?", *Tirto.id*, 2025. In the initial phase, the Coordinating Minister for Food had mentioned a ceiling of IDR 4-5 billion; see "Village Cooperative Fund, Zulhas: Himbara Ceiling Loan of up to IDR 5 Billion", *Bisnis.com*, May 4, 2025.

¹² "Pontang-panting Rogoh 'Kantong Kanan-Kiri' for the sake of the Red and White Kopdes", *Bisnis.com*, September 8, 2025. The following year's Village Fund is budgeted at around Rp60 trillion according to the same source.

¹³ Mohammad Hatta, *Elaboration of Article 33 of the 1945 Constitution* (Jakarta: Mutiara, 1977). The original explanation of Article 33 (before the fourth amendment) referred to a cooperative as a company building in accordance with the principle of kinship.

¹⁴ Jimly Asshiddiqie, *Economic Constitution* (Jakarta: Kompas Book Publisher, 2010).

cooperatives as a pillar of teachers, togetherness, and equity.¹⁵ Social justice can be read through Rawls's idea that inequality is only justified when it benefits the most disadvantaged groups.¹⁶ In that context, affirmation for villages, where poverty is concentrated, is a form of distributive justice. However, Radbruch reminds that the law must balance justice, utility, and legal certainty; policies that are just in purpose but weak in legal certainty will lose their binding force.¹⁷ Second, in terms of the theory of the welfare state, the state is responsible for ensuring minimum living standards and economic opportunities for citizens.

Esping-Andersen points out that welfare regimes differ in the way the state, market, and community share roles.¹⁸ Village cooperatives can be read as a community-based mechanism to expand access to basic services. Amartya Sen added that welfare is not measured only by income, but by the expansion of people's capabilities and real freedom to live a decent life.¹⁹ Therefore, the success of KDMP should not be measured by the number of cooperatives that are legally incorporated, but by the increase in access, income, and bargaining power of members. Third, Mochtar Kusumaatmadja views law as a means of community renewal so that development policies must be outlined in clear legal principles.²⁰ Nonet and Selznick's responsive legal theory demands a law that is sensitive to the needs and participation of society, not merely repressive or formally autonomous.

¹⁵ Mubyarto, *Pancasila Economy: Ideas and Possibilities* (Jakarta: LP3ES, 1987).

¹⁶ John Rawls, *A Theory of Justice* (Cambridge: Harvard University Press, 1971).

¹⁷ Gustav Radbruch, "Five Minutes of Legal Philosophy (1945)", ed. Bonnie Litschewski Paulson and Stanley L. Paulson, *Oxford Journal of Legal Studies* 26, no. 1 (2006).

¹⁸ Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990).

¹⁹ Amartya Sen, *Development as Freedom* (Oxford: Oxford University Press, 1999).

²⁰ Mochtar Kusumaatmadja, *Legal Concepts in Development* (Bandung: Alumi, 2002).

Soerjono Soekanto added that the effectiveness of the law depends on five factors: the law itself, law enforcement, facilities, society, and culture.²¹ These five theories are used to unravel the problem in the next section. Fourth, the Constitutional Court Decision Number 28/PUU-XI/2013 provides an authoritative interpretation. The Court annulled the entire Law Number 17 of 2012 concerning Cooperatives because its norms shift the identity of cooperatives as associations of people whose members are also owners and users of services, and lead to capital-oriented business patterns that are contrary to the principle of kinship in Article 33 paragraph (1).²² This ruling implies a constitutional limit: the state may facilitate cooperatives, but must not obscure the identity of cooperatives as independent organizations.

The Court in its decision on state control interprets state control according to Article 33 paragraphs (2) and (3) into five functions, namely policy, management, regulation, management, and supervision.²³ The main functions of the state towards cooperatives are regulation, facilitation, and supervision, not taking over cooperative business decisions. Fifth, the territorial aspect should not be ignored. Article 18B paragraph (2) of the 1945 Constitution recognizes and respects the unity of customary law communities and their traditional rights, and the Village Law reduces them to the principle of recognition and subsidiarity. Consequently, the village is not just the object of the program, but a legal subject who has the right to determine its own development priorities. The KDMP policy that is national uniform needs to provide space for the diversity of village economic characteristics, such as agricultural villages, coasts, and borders, so that the principle of kinship is not reduced to a single blueprint.²⁴

²¹ Philippe Nonet and Philip Selznick, *Law and Society in Transition: Toward Responsive Law* (New York: Harper & Row, 1978).

²² Soerjono Soekanto, *Factors Influencing Law Enforcement* (Jakarta: RajaGrafindo Persada, 2008).

²³ Constitutional Court Decision No. 28/PUU-XI/2013, read on May 28, 2014, regarding the testing of Law No. 17 of 2012 concerning Cooperatives.

²⁴ Constitutional Court Decision No. 36/PUU-X/2012 (testing of Law No. 22 of 2001 concerning Oil and Gas); Constitutional Court Decision No. 001-021022/PUU-I/2003.

2. Problems of the Cooperative Policy of Merah Putih Village

The first problem is the legal position of Presidential Instruction 9/2025. Based on Law Number 12 of 2011 as amended by Law Number 13 of 2022, the type and hierarchy of laws and regulations in Article 7 does not include the presidential²⁵ instruction Maria Farida Indrati classifying the instruction as policy regulations (*beleidsregel*) aimed at the government environment and not binding on the public.²⁶ A program that affects village finances, the establishment of legal entities, and the allocation of large-value state funds should have a basis at the level of law or at least government regulations and presidential regulations. This problem is exacerbated by the inconsistency of policy information. The loan ceiling, for example, is stated differently at different times, from the range of IDR 3 billion to IDR 4-5 billion.²⁷

Lon Fuller emphasized that good law must be clear, understandable, and unchanging.²⁸ The unclarity of the rights and obligations of village heads, cooperative administrators, banks, and the government in the event of default creates uncertainty that is contrary to Article 28D paragraph (1) of the 1945 Constitution concerning fair legal certainty. The second problem is the tension between quantitative targets and cooperative principles. Law Number 25 of 1992 defines cooperatives as business entities with one person or cooperative legal entities based on the principles of cooperatives and the principle of kinship.²⁹ The principles include voluntary and open membership, democratic management, fair distribution of

²⁵ Article 18B paragraph (2) of the 1945 Constitution; Article 3 of Law Number 6 of 2014 concerning Villages.

²⁶ Article 7 and Article 8 of Law Number 12 of 2011 concerning the Establishment of Laws and Regulations as amended by Law Number 13 of 2022.

²⁷ Maria Farida Indrati Soeprapto, *Jurisprudence: Its Basics and Formation* (Yogyakarta: Kanisius, 2007).

²⁸ Compare "Village Cooperative Fund, Zulhas: Himbara Ceiling Loan up to IDR 5 Billion", *Bisnis.com*, May 4, 2025, with Nisa Hayyu Rahmia, "Source of Red and White Cooperative Funds, State Budget or Himbara Loan?", *Tirto.id*, 2025.

²⁹ Lon L. Fuller, *The Morality of Law* (New Haven: Yale University Press, 1964).

remaining business results in proportion to members' services, limited remuneration of capital, and independence.

The establishment of primary cooperatives also requires a minimum number of founders (nine after changes by the Job Creation Act) with a government-approved deed of incorporation.³⁰ The establishment of 80,000 cooperatives in the short term through village deliberations led by village heads risks resulting in "cooperatives on paper": legally incorporated but without members who have awareness, participation, and ownership. Röpke reminds that cooperatives are essentially self-help organizations that function through self-help, not bureaucratic extensions.³¹ Birchall also concludes that poverty alleviation through cooperatives is most successful when members have real control and the state acts as a supporter, not a controller.³² In terms of responsive legal theory, policies that are too dominant from above tend to be repressive-administrative and reduce participation.

This is also potentially not in line with ILO Recommendation Number 193 of 2002 which emphasizes the autonomy and independence of cooperatives.³³ The third problem concerns the use of Village Funds. Law Number 6 of 2014 concerning Villages places villages as a legal community unit with the authority to regulate and manage community interests based on the principles of recognition and subsidiarity.³⁴ Village Funds are sourced from the State Budget and their use is prioritized for the development and empowerment of village communities.³⁵ Making it a source of KDMP loan repayment,

³⁰ Article 1 number 1 and Article 5 paragraph (1) of Law Number 25 of 1992 concerning Cooperatives as last amended by Law Number 6 of 2023 concerning the Stipulation of Government Regulations in Lieu of Law Number 2 of 2022 concerning Job Creation into Law.

³¹ Article 6 paragraph (1) and Article 9 of Law Number 25 of 1992 as amended by Law Number 6 of 2023.

³² Jochen Röpke, *Cooperative Economics: Theory and Management* (Jakarta: Salemba Empat, 2003).

³³ Johnston Birchall, *Rediscovering the Cooperative Advantage: Poverty Reduction through Self-help* (Geneva: International Labour Office, 2003).

³⁴ International Labour Organization, *Promotion of Cooperatives Recommendation, 2002 (No. 193)*.

³⁵ Article 1 number 1 and Article 3 of Law Number 6 of 2014 concerning Villages.

even through the approval of the village head, raises three problems. First, the village's fiscal space for other priority needs, such as infrastructure, health, and poverty management, can be narrowed because it is absorbed for installments. Second, the village head's decision has the potential to be influenced by structural pressure from the upper government, so that formal approval does not fully reflect autonomy.

Third, the government's statement that cooperatives are not obliged to reimburse village funds in the event of default raises questions about who bears the losses: the village, the bank, or the state. Unclear risk sharing gives birth to moral hazard. If the failure of the cooperative's business can be passed on to the Village Fund or state finances, the incentive for the management to be cautious weakens. On the other hand, if the Himbara bank bears the risk without the certainty of state support, the bank can be conservative which hinders distribution. From the perspective of Article 23 paragraph (1) of the 1945 Constitution, state financial management must be open and responsible; therefore, a scheme that contains Rp16 trillion liquidity support through banks requires clarity on public accountability, including the position of bad receivables in the state financial regime.³⁶

The fourth problem is capacity. Cooperatives that run multiple business units, namely food outlets, savings and loans, clinics, pharmacies, and logistics, require management, accounting, and risk control competencies that are not equally available in the village. The experience of problematic savings and loan cooperatives in various regions shows that weak supervision can be detrimental to members. In addition, Village-Owned Enterprises (BUM Desa) regulated in the Village Law as amended by the Job Creation Law and Government Regulation Number 11 of 2021 have carried out similar business functions, so that without harmonization, there can be overlap, intra-village competition, and inefficiency.³⁷

³⁶ Article 72 and Article 78 of Law Number 6 of 2014 concerning Villages.

³⁷ Constitutional Court Decision No. 48/PUU-XI/2013 and No. 62/PUU-XI/2013.

State capital support to cooperatives must also pay attention to healthy business competition so that local stalls and micro-enterprises are not eliminated.³⁸ The case approach shows a similar pattern during the New Order period. The policy of fostering and developing KUD through presidential instructions in the 1970s and 1980s encouraged KUD to become a channel for fertilizer distribution, grain procurement, and farm business credit.³⁹ Quantitative success was high, but dependence on state facilities and monopolies made many KUD weak when those facilities were revoked during the reform period. The lesson is clear: cooperatives built by state support without member independence are vulnerable to collapse when support changes. The Constitutional Court Decision 28/PUU-XI/2013 is in line with this lesson because it emphasizes the need to maintain the identity of cooperatives in the midst of regulatory intervention.⁴⁰ With Soekanto's theory of legal effectiveness, the five problems above can be mapped.

In the legal factor, the normative basis of KDMP is still scattered and in the form of policy instruments. In the enforcement and implementation factors, village officials, cooperative administrators, and bank officers need a uniform understanding of rights and obligations. In the factor of facilities, the availability of land, warehouses, trained personnel, and information systems is not evenly distributed. In the community factor, the awareness of cooperatives as owners, not just recipients of programs, still needs to be built. In the cultural factor, the tradition of mutual cooperation is a large social capital, but it can turn into passive compliance if participation is forced.⁴¹

³⁸ Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises; Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises.

³⁹ Law Number 5 of 1999 concerning the Prohibition of Monopoly Practices and Unfair Business Competition, which excludes small business and cooperative activities that aim to serve their members (Article 50 letter i).

⁴⁰ Constitutional Court Decision No. 28/PUU-XI/2013; compare Arifin Sitio and Halomoan Tamba, *Cooperatives: Theory and Practice* (Jakarta: Erlangga, 2001).

⁴¹ Soerjono Soekanto, *Factors Influencing Law Enforcement* (Jakarta: RajaGrafindo Persada, 2008).

3. Construction of Constitutional and Prosperous KDMP Policy

First, strengthening the legal basis. The government and the House of Representatives need to consider updating the Cooperative Law which contains special arrangements for rural cooperatives, cooperative-village relations, and public financing mechanisms, while respecting the identity of cooperatives in accordance with the Constitutional Court Decision 28/PUU-XI/2013. In the short term, policy points should be raised to presidential regulations or government regulations so that they have binding power and clearly contain the rights, obligations, and risk sharing of the parties. This step meets the demands of legal certainty in Radbruch and Fuller's theory. Second, return control to members. Formation must be followed by real membership strengthening through cooperative education, functioning member meetings, and transparency of financial statements.

Achievement indicators need to shift from the number of legal entities to the number of active members, participation in member meetings, and business turnover. The meeting of members as the holder of the highest power of the cooperative should be a forum that determines the use of loans.⁴² Cooperatives that are not ready should be given a period of preparation, not forced to pursue deadlines, reconstruction of financing schemes based on risk sharing. Loan disbursement should be gradual and conditional on business viability, with a smaller initial value and can be increased based on performance. The use of Village Funds as a source of return needs to be limited to a certain percentage limit, be voluntary, be determined through open village deliberation (not just with the approval of the village head), and be accompanied by a clear credit guarantee or insurance scheme so that the risk does not automatically transfer to the village.

Rules about who bears losses must be expressly stated in regulations so as not to cause moral hazard. Fourth, strengthening governance, supervision, and accountability. Accounting standards, periodic audits, financial information systems that can be accessed by members, and tiered supervision by the ministry of cooperatives,

⁴² Article 22 of Law Number 25 of 1992 concerning Cooperatives.

local governments, and audit institutions are needed. Transparency in the use of funds is in line with Article 23 paragraph (1) of the 1945 Constitution. Administrators and supervisors need to meet competency and integrity standards, with strict sanctions for misuse of funds. Fifth, institutional harmonization and protection of business competition. KDMP needs to be designed as a complement, not a competitor, to Village BUM and local micro enterprises, for example by dividing business lines, supplying partnerships with local stalls, and using cooperatives as aggregators of agricultural products.

Thus, policies are in line with the spirit of joint ventures and do not kill the existing people's economy, evaluation of the impact of welfare based on evidence. The government needs to establish periodic independent indicators and evaluations, including member income, input prices and results, access to health services, rural poverty, and financial sustainability of cooperatives, so that policies can be corrected adaptively. This approach is in line with Sen's capabilities and the characteristics of responsive law, namely laws that learn from impacts. The six steps can be operationalized in stages. In the preparation stage (about one year), the government completes the strengthening of the legal basis, governance standards, and mapping the readiness of cooperatives. In the strengthening stage, initial financing is distributed selectively to cooperatives that meet the criteria for membership and business feasibility, accompanied by assistance. In the expansion stage, financing is enlarged based on the performance that has been evaluated.

This gradual approach changes the policy logic from "chasing numbers" to "fostering capacity", in line with the principle of prudence in state financial management and the need for cooperatives to learn from experience. If these six steps are implemented, the KDMP will meet two conditions at once: constitutional legitimacy (Article 33 paragraph (1) and Article 23 paragraph (1) of the 1945 Constitution) and social effectiveness (the welfare of village communities). Article 33 places cooperatives as a form of economic democracy, and economic democracy only survives if its members are truly sovereign over their cooperatives. Based on the analysis, the following can be concluded. First, the current KDMP development policy relies on Presidential Instruction 9/2025 and its derivative regulations and has strong constitutional legitimacy based on Article

33 paragraph (1), Article 27 paragraph (2), and Article 34 of the 1945 Constitution, with a layered financing scheme involving the State Budget, Village Fund, and Himbara bank.

Second, the main problems include the weak legal position and certainty of policy instruments, the tension between mobilization from above and the principle of voluntariness and cooperative democracy, risks to village autonomy and the lack of clarity in risk sharing due to the use of Village Funds, as well as limited governance capacity and potential overlap with Village BUM. Third, the solutions offered are policy reconstruction through strengthening the legal basis, strengthening the role of members, gradual financing based on risk sharing, strengthening governance and supervision, institutional harmonization, and evaluating sustainable welfare impacts. It is recommended that lawmakers and the government immediately develop a stronger legal foundation and establish a strict financing risk-sharing scheme. Further research, especially empirical ones, is needed to test the effectiveness of policies in the field after cooperatives are fully operational.

C. CONCLUSION

Based on the analysis, the following can be concluded. First, the current KDMP development policy rests on Presidential Instruction 9/2025 and its derivative regulations and has strong constitutional legitimacy based on Article 33 paragraph (1), Article 27 paragraph (2), and Article 34 of the 1945 Constitution, with a layered financing scheme involving the State Budget, Village Fund, and Himbara bank. Second, the main problems include the weak legal position and certainty of policy instruments, the tension between mobilization from above and the principle of voluntariness and cooperative democracy, the risk to village autonomy and the unclear distribution of risks due to the use of Village Funds, as well as limited governance capacity and potential overlap with Village BUM. Third, the solutions offered are policy reconstruction through strengthening the legal basis, strengthening the role of members, gradual financing based on risk sharing, strengthening governance and supervision, institutional harmonization, and evaluation of sustainable welfare impacts.

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