

# Digital Innovative Governance of the Indonesian Creative Economy

Subjects: Others

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The creative economy encompasses a diverse range of sectors, including digital content production, software development, gaming, design, and various forms of artistry. The digital transformation of the creative economy has presented Indonesia with a unique set of challenges and opportunities, demanding innovative governance strategies to navigate this dynamic landscape.

Keywords: civil servants ; creative economy ; digital innovation ; governance

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## 1. Creative Economy and Global Trends

The creative economy has evolved into a significant economic force over the past few decades. Scholars such as Howkins (2002) and Markusen et al. (2008) have contributed seminal works that conceptualize the creative economy, emphasizing its role in driving innovation, generating employment, and enhancing the overall quality of life <sup>[1][2]</sup>. The digital creative economy also emerged in the last few decades, which has witnessed exponential growth, transforming the global economic landscape <sup>[3]</sup>. Studies have highlighted the emergence of new sectors, including digital content production, animation, gaming, and design, driven by technological advancements and changing consumer behaviors <sup>[4][5]</sup>. These trends underline the significance of understanding how governments engage with and govern this evolving economic domain <sup>[6]</sup>. One of the central arguments in the literature is the creative economy's potential to foster economic growth <sup>[7]</sup>. Researchers have explored the relationship between creative industries and regional development, emphasizing the capacity of creative activities to generate jobs, stimulate tourism, and enhance the overall quality of life in urban and rural areas <sup>[8][9]</sup>. The creative economy's role as a driver of economic diversification has also been explored, particularly in the context of post-industrial societies <sup>[10]</sup>.

The creative economy is profoundly influenced by globalization trends. In a globalized world, creative products and services can reach audiences far beyond national borders <sup>[11]</sup>. As a result, scholars have examined the impact of globalization on creative industries, discussing issues such as cultural diversity, transnational flows of creative goods, and the challenges of protecting intellectual property rights in a global context <sup>[11][12]</sup>. The globalization of creative markets has raised questions about the balance between cultural homogenization and cultural diversity <sup>[13]</sup>. Advancements in technology, particularly the Internet and digital technologies, have profoundly shaped the creative economy <sup>[14]</sup>. Scholars have discussed the democratizing effects of digital platforms, which have lowered barriers to entry for creative entrepreneurs and transformed distribution models <sup>[15][16]</sup>. The rise of the gig economy and the freelance workforce within the creative sector also exemplify the impact of technology on labor and production in creative industries <sup>[17]</sup>.

## 2. Governmental Role in Fostering Innovation

Innovation, often defined as the introduction of new ideas, products, processes, or technologies, is a primary driver of economic growth <sup>[18]</sup>. Researchers have emphasized the role of innovation in stimulating productivity, creating jobs, and enhancing the competitiveness of nations <sup>[19][20]</sup>. This foundational understanding underscores the significance of government intervention in facilitating innovation <sup>[21]</sup>. Governments worldwide have formulated policies and strategies to support innovation across various sectors <sup>[22]</sup>. Lundvall (1992) introduced the concept of "national systems of innovation", highlighting the interconnectedness of firms, universities, research institutions, and government agencies in fostering innovation <sup>[23]</sup>. Studies scholars have further detailed how government policies, including research funding, intellectual property protection, and regulatory frameworks, influence innovation processes. Innovation policies are often shaped by regional and global considerations <sup>[24][25]</sup>. Rodrik (2011) argues that the "trilemma of globalization" poses challenges for governments, as they must balance the demands of globalization, democracy, and national sovereignty <sup>[26]</sup>. Innovation

policies are influenced by international agreements, trade policies, and global supply chain dynamics [27]. Researchers also have explored the role of cities in driving innovation and fostering vibrant creative economies [28][29].

Governments worldwide recognize the potential of the digital creative economy to drive economic growth and innovation [30]. A substantial body of the literature emphasizes the pivotal role of governments in innovation ecosystems. This role includes setting policies, creating infrastructure, and fostering collaboration between the public and private sectors [31][32]. Governments are not only policy enablers but also key actors in innovation ecosystems, shaping the direction of technological progress and economic development [33]. As innovation continues to be a driving force in the global economy, understanding the nuanced ways in which governments can promote and facilitate innovation remains a critical area of research and policymaking. However, the unique characteristics of the digital creative economy require tailored governmental strategies [34].

### 3. Indonesian Creative Economy Landscape

The Creative Economy Plan in Indonesia is primarily influenced by the concept of creative industries in the UK. This definition places emphasis on innovation and intellectual property, specifically referring to the “innovative” creative industries. Additionally, it encompasses the inclusion of “traditional cultural industries” as identified by Fahmi, Koster, and van Dijk in 2016 [35]. Indonesia has consistently advocated for the development and promotion of the creative economy. In 2018, Indonesia provided support for the Bali Agenda for Creative Economy, and also witnessed the United Nations General Assembly’s approval of a resolution designating 2021 as the Year of the Creative Economy for Sustainable Development. As the designated host country for the G20 summit in 2022 and the chair of the ASEAN secretariat in 2023, Indonesia’s objective is to enhance coordination and collaboration at the local, regional, and global levels to bolster the creative economy as a catalyst for content-oriented economic growth. The creative economy serves as a valuable resource for facilitating the availability of employment opportunities, particularly within micro-, small-, and medium-sized firms, during periods characterized by swift transformations in labor markets. The creative economy holds significant importance in the realm of sustainable company development [35][36].

The Regulation of the Minister of Tourism and Creative Economy/Head of the Tourism and Creative Economy Agency of the Republic of Indonesia Number 11 Year 2022 regarding The Strategic Plan of the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency 2020–2024 outlines a total of 17 distinct creative sectors (**Table 1**). This expansion builds upon the initial 14 sectors that were previously identified. The establishment of the Ministry of Tourism and Creative Economy, along with its Creative Economy Agency (BEKFRAF), took place in 2015 with the aim of facilitating the growth and development of two distinct sectors: traditional cultural industries and new creative industries [35]. The stated objective of the organization is to effectively execute the Creative Economy plan and oversee its advancement across different locations inside the nation.

**Table 1.** Sub-sectors of creative industries in Indonesia [37].

No	Sub-Sector
1	Advertising
2	Game developer
3	Architecture
4	Craft
5	Culinary
6	Fashion
7	Film, animation, and video
8	Interior design
9	Product design
10	Visual Communication Design
11	Music
12	Performance Art
13	Publishing

No	Sub-Sector
14	Television and radio
15	Fine arts
1617	Photography Mobile App

Indonesia's diverse cultural heritage and dynamic creative industries offer a unique backdrop for the study of creative economy governance <sup>[38]</sup> and for emphasizing the role of cultural preservation and innovation <sup>[39]</sup>. Furthermore, the creative economy's contributions expand to regional development, shedding light on the spatial dynamics of creative industries in Indonesia <sup>[35][39]</sup>. Indonesia's creative economy is deeply intertwined with its diverse cultural heritage. Research by scholars has underscored the importance of cultural preservation in the creative sector <sup>[40]</sup>. Creative industries often draw upon traditional art forms, folklore, and local craftsmanship, contributing to the preservation and revitalization of Indonesia's rich cultural heritage <sup>[39]</sup>.

The growth of the Indonesian creative economy is not without challenges. In October 2018, Indonesia, in its role as the MIKTA (Mexico, Indonesia, Republic of Korea, Türkiye, and Australia) Countries Coordinator, collaborated with other stakeholders to organize a supplementary event focused on harnessing the capabilities of the creative economy in order to accomplish the objectives outlined in the Sustainable Development Goals (SDGs). The event aimed to assess various challenges that could contribute to the advancement and growth of creative industries. These factors included the rise of the creative economy and creative networks as facilitators of sustainable development, the potential benefits and drawbacks associated with increased automation and digitization, the necessity of training, retraining, and upskilling for new industry positions, the role of creative industries in advocating for gender equality and diverse perspectives, the disparities in creative economic growth across different regions, the difficulties in sharing knowledge and practices between countries, the importance of integrating creative industries into national economic and development plans, and the significant potential for increased south-south cooperation to tap into untapped opportunities. Furthermore, the convergence of traditional and digital creative industries has created opportunities for innovation but also poses regulatory challenges <sup>[35][40]</sup>.

## 4. Governance in the Creative Economy

Governments worldwide have recognized the creative economy's potential and have actively engaged in its promotion. Numerous studies have highlighted the diverse strategies employed by governments to support and stimulate creative industries. Such strategies encompass policy formulation, infrastructure development, investment in education and skills development, and the creation of cultural hubs <sup>[41][42]</sup>. The digital creative economy, characterized by its reliance on digital technologies and its emphasis on creativity, innovation, and intellectual property, represents a rapidly evolving and transformative sector. Effective governance is essential to balance innovation, entrepreneurship, and regulatory concerns within this dynamic landscape. The protection of intellectual property rights is also a central concern in the creative economy. Scholars have discussed the challenges of copyright enforcement, piracy, and the tension between fostering creativity and protecting creators' rights. Effective governance must strike a delicate balance between incentivizing innovation and safeguarding intellectual property <sup>[43][44]</sup>.

Governance in the creative economy context is multifaceted, encompassing issues related to intellectual property protection, talent development, cultural heritage preservation, and fostering entrepreneurship. Scholars have discussed governance challenges in creative industries, emphasizing the tension between commercialization and cultural preservation <sup>[45][46]</sup>. These challenges present an intricate web of policy dilemmas that the Indonesian government must navigate, providing a fertile ground for the investigation of innovative governance mechanisms <sup>[47]</sup>.

Despite the considerable potential of the creative economy, it continues to face obstacles, primarily stemming from the absence of adequate policies aimed at bolstering the industries. The progress of creative work may be hindered by inadequate funding, a lack of financial sustainability, and the absence of a standardized valuation system <sup>[47]</sup>. Thailand is confronted with the predicaments stemming from a dearth of consensus regarding the definition of creative industries and the swift transformations occurring in the digital realm <sup>[48][49]</sup>. Conversely, the Philippines necessitates the establishment of a centralized governmental entity to formulate a comprehensive policy framework for creative industries <sup>[48]</sup>. However, there is a dearth of research that investigates how the Indonesian government, in particular, adapts and innovates its governance mechanisms in the context of its unique cultural and economic landscape <sup>[50]</sup>.

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