



# DIGIWEEK

## 2024



# Policy Communiqué

A Vision for Indonesia's Digital Future

[www.cips-indonesia.org/digiweek2024](http://www.cips-indonesia.org/digiweek2024)

## What is CIPS DigiWeek?

**CIPS DigiWeek** is a series of events convened annually by the **Center for Indonesian Policy Studies (CIPS)** as an open space for all stakeholders to discuss, exchange and highlight common challenges and issues to foster the development of constructive policy solutions and discourse to drive an innovative and inclusive digital environment for Indonesia and the region.

**CIPS DigiWeek 2024** is in its fifth year. Through a series of in-person and online events held on **15 - 19 July 2024 in Jakarta**, Indonesia; policymakers, leading industry professionals, academia, civil society will participate in workshops, webinars, in-person discussions to learn, to share and come together to shape the future of the digital landscape.

Each year, CIPS offers **partnership opportunities to the right companies and organisations** to collaborate on this flagship event.

# Preamble

Indonesia is an emerging global player in the digital economy, with global leadership responsibilities it took during the 2022 G20 chair and ASEAN's presidency in 2023. Anchored by a digital economy valued at US\$82 billion in 2023, Indonesia commands the largest share in Southeast Asia (40% of the total regional value). Indonesia is also one of the most attractive digital investment destinations, with total investment inflow towards the digital sector accounting for US\$5.1 billion in 2022.

Despite its progress and growth potential, Indonesia presents a curious paradox: its digital denizens are among the world's most active, and it has a vibrant startup ecosystem, but overall the country still lags in infrastructure development and in harnessing modern technology to improve key sectors where all segments of society can truly benefit. Persistent challenges in digital literacy, data privacy, and cybersecurity further underscore the need for adaptive, collaborative, and innovation-driven policy approaches.

In preparing this Policy Communique, the Center for Indonesian Policy Studies (CIPS) actively engaged with diverse stakeholders from the public, private, and civil sector during DigiWeek 2024 event and its preparatory phase. DigiWeek is CIPS' annual flagship event, which serves as an open and inclusive space for relevant stakeholders to collaboratively discuss and address common topical issues in the rapidly evolving digital landscape of Indonesia.

Mapping out the key issues for digital economy development to the next incoming government is essential in enabling effective and sustainable policy strategies. In doing so, this Policy Communique focuses on seven strategic recommendations within the digital sector, as detailed in the subsequent page, that are deemed crucial to be prioritized for Indonesia's future trajectory.

The general vision underlying these recommendations is to create a digital ecosystem that promotes innovation, safeguards rights, ensures inclusivity, and enhances global competitiveness. It is our hope that the new cabinet of Indonesia will consider the outlined proposal, recognizing the pivotal role of the digital economy in advancing a free and prosperous Indonesia.

## **PROPOSAL 1.**

### **Promote co-regulation and improve the adoption of innovative policy-making tools such as regulatory sandboxes.**

Policy innovation remains paramount in shaping a regulatory environment that facilitates the deepening of digital transformation in Indonesia. Utilizing tech-enabled and data-driven innovative policy approaches can effectively balance the fast-paced innovation of digital technologies with risk management, accountability, and the protection of public interests. Embracing a co-regulatory approach that prioritizes stakeholder involvement—e.g. industry experts, regulators, government authorities, and civil society groups—allows for a more responsive, trustworthy, and adaptable regulatory environment in the digital landscape. One policy tool that can facilitate this balance is utilizing regulatory sandboxes approach, where innovators and regulators can collaborate, test new business models, and develop innovative regulations in a controlled environment.

Formal and meaningful engagement with the private sector can lead to effective and efficient policies, as it leverages the expertise and resources of the private sector to address complex industry-related challenges and public concerns towards societal impacts. Platform creation for regular dialogue and collaboration between government and private sector to discuss and co-create policies that promote responsible and sustainable business conduct is essential. Moreover, lowering barriers to entry is key to fostering market competition, supporting new businesses and overall economic growth.

The financial technology (fintech) has been a pioneer sector in balancing product innovation with a forward-looking regulatory framework through the introduction of fintech regulatory sandboxes. Looking ahead, there should be processes in place to ensure that sandbox participants who fall under different regulatory mandates or that relevant to multiple regulators are effectively managed and accommodated. Therefore, key regulators should opt for coordinated sandbox approach to streamline the sandbox process and scale new technologies, products, or business models within a single jurisdictional sandbox.

With this goal in mind, the incoming government can focus on continuing to enhance existing regulatory sandbox practices and mechanisms for various other sectors, and especially those that are multi-sectoral, beyond health and financial technology. Improving the regulatory sandbox practice to pilot and test real-world applications of policies and make appropriate adjustments can further bolster Indonesia's capacity to address the challenges posed by rapid technological advancements, such as AI and other emerging technologies that continue to rise in popularity. The incoming cabinet should also streamline co-regulatory approaches and innovative policy-making tools like the regulatory sandbox in all emerging sectors. This will foster a regulatory mindset geared towards flexibility and openness to innovation and avoids overregulation that may stifle sectoral growth.

## **PROPOSAL 2.**

### **Protect the right to free speech and internet freedom and focus on user safety in approaches to moderate the digital sphere.**

The need for effective and transparent content moderation becomes more pressing as users and online content continue to grow rapidly. Both the state and privately-owned digital platforms have a shared responsibility to uphold principles of free speech and expression while prioritizing users' safety when engaging in the digital space. However, growing government censorship through takedown requests mandating platforms to restrict content deemed as "negative" without channels for due process contribute to the decline of internet freedom in Indonesia according to Freedom House's Freedom of the Net report.

Regulatory measures should ensure that principles of human rights, that also apply to the digital space, lie at the heart of platform regulation. The principles of legality, legitimacy, necessity, and proportionality set out in Article 19(3) of the International Covenant on Civil and Political Rights must be applied throughout. Like any framework that imposes limitations on free expression, regulations governing social media companies should be grounded in robust evidence and prioritize the least censorial and restrictive measures to address online harms.

Beyond regulatory measures, all stakeholders, including individuals, should collectively strive to ensure safe and healthy practices in the digital ecosystem. To this end, the Indonesian government can also invest more in programs that promote digital literacy and responsible online behavior among Indonesian users and content creators.

### **PROPOSAL 3.**

## **Leverage ASEAN Digital Economy Framework Agreement to enhance Indonesia's global competitiveness and deepen regional market integration.**

Leveraging the ASEAN Digital Economy Framework Agreement (DEFA) presents Indonesia with an opportunity to optimize its digital economy potentials, strategically positioning the country to capitalize on various market opportunities. This will maximize the potential of cross-border e-commerce within ASEAN, providing consumers and MSMEs access to a wider choice of finished and intermediary goods and services, and enhanced import-export opportunities for traders and sellers. Furthermore, the government can focus on developing regional value chains within ASEAN and address cross-border payment bottlenecks, ensuring efficient and secure digital transactions throughout the region.

Supporting these initiatives with robust domestic regulatory frameworks and key infrastructure investments can enhance regional trade and growth for Indonesia and Indonesian businesses. Indonesia has pushed the acceleration of the ASEAN DEFA negotiation from 2025 to September 2023, in line with the collective commitment from the ASEAN member states to expedite digital transformation. To effectively harmonize regional digital economy architecture through DEFA, the upcoming Indonesian government should prioritize seamless DEFA integration and focus on fostering regional cooperation by aligning national digital policies with DEFA commitments.

#### **PROPOSAL 4.**

**Prioritize the protection of personal data privacy of citizens by enhancing cyber resiliency and adopting robust data security practices.**

Growing digital threats and risks have made it imperative for the Indonesian government to prioritize a more resilient and adaptive cybersecurity posture, enhancing data security and placing the protection of citizens' personal data as a high priority. This entails implementing robust data security measures, including promoting privacy-enhancing technologies—such as encryption and anonymizing tools—and establishing an independent Personal Data Protection Authority insulated from influences that include the three branches of state power as well as private business entities. International collaboration and alignment with global standards are equally important. Additionally, there is a critical need to upgrade existing national consumer protection frameworks to buttress against ever-evolving scam and fraud threats, ensuring a comprehensive approach to safeguarding online consumer rights.

Building cyber resilience is a necessary pillar for Indonesia to maintain its position as a key digital economy hub in the region. While existing legal measures are substantial, the absence of a comprehensive and dedicated law in cybersecurity creates the risk of uncoordinated responses to cyber attacks. Strengthening cyber resilience necessitates the harmonization of cybersecurity regulations and the adoption of a standardized framework for data protection. Additionally, promoting digital literacy can help raise the awareness of the public on corresponding cyber risks.

**PROPOSAL 5.**

**Apply a participatory, bottom-up approach to universalize access to quality internet and bridge the digital divide.**

Accessible, affordable, and reliable digital connectivity supports the access and delivery of essential services, such as education and health care, supporting enhanced welfare and quality of life for citizens. Despite this necessity, Indonesia still grapples with a massive digital divide, where the number of households with internet access in rural areas is nearly half of those in urban areas. To bridge this divide and ensure universal access to quality internet, the Indonesian cabinet should prioritize building true connectivity using a comprehensive approach. The Ministry of Communications and Informatics as the digital leader should lead the initiative and establish an information and communications technology (ICT) working group and formulate an integrated ICT investment roadmap through a participatory, bottom-up approach to improve collaboration and transparency among key stakeholders. Opening up infrastructure to innovative solutions such as low Earth orbit-based internet satellite technology is crucial to provide consumers with a variety of choices and ensure quality internet access for all, especially in remote and outermost regions.

Furthermore, the government should facilitate the expansion of digital payment infrastructure in remote regions to support financial inclusion. Encouraging private sector participation to offer affordable internet access and prioritizing tech policy innovation will be essential in achieving digital inclusion and financial inclusion as well as empowering marginalized communities. These efforts will ensure that the benefits of digital transformation are equitably distributed, promoting sustainable economic growth and bridging the digital divide in Indonesia.



## **PROPOSAL 6.**

### **Enable digital infrastructure resilience and investments to future-proof Indonesia's digital transformation.**

As Indonesia continues its stride towards digital transformation, risks of shocks and disruptions on digital infrastructure should be properly considered and addressed. This means ensuring that development and investments in digital infrastructure are able to support future needs from digital transformation while also increasing mitigation, adaptation, and quick recovery capabilities from disruptive events, such as disasters, climate change, or conflicts. In the backdrop of deteriorating global dynamics and increasing climate pressures coupled with rapid technological acceleration, regulators must develop sound policies to allow continued and sustainable investments in digital technologies and its supporting infrastructures.

Ensuring ease of investments and business certainty for ICT-related industry is pivotal for attracting and retaining capital in Indonesia's digital sector. Addressing regulatory challenges such as licensing issues, non-tariff barriers, and bureaucratic inefficiencies should be a priority. Streamlined policies that provide clarity, transparency, and predictability will incentivize private sector investments in digital infrastructure projects. By creating a conducive environment for both domestic and foreign investors, Indonesia can bolster the expansion and modernization of its digital infrastructure network to ensure long-term resilience and future-proofing.

Moreover, digital transformation necessitates access to advanced technologies, many of which are sourced internationally. The ongoing global chip shortage and volatility in the supply of rare earth materials and critical minerals underscore the vulnerability of Indonesia's digital supply chains. Therefore, strategies to enhance supply chain resilience must be integral to Indonesia's digital infrastructure agenda. This involves diversifying supply sources, fostering local manufacturing capabilities and human capital, and collaborating with global partners to ensure continuous access to essential technologies.

## PROPOSAL 7.

### Leave no one behind on the road to digital transformation.

According to Statistics Indonesia, 57 million Indonesians or 20% of the population do not have internet access according to a survey conducted in 2024 by the Indonesian internet association APJII. Moreover, 28 million Indonesians, or about 1 in 10 people, have disabilities in 2020. This is a significant number that cannot be ignored. Especially as most of them are in a productive age with a high frequency of consumption activities. This exclusion is considered a form of negligence in protecting human rights particularly for those with special conditions and/or abilities.

Hence, digital services and technologies should be made inclusive and accessible for marginalized groups including people with disabilities. The government should meaningfully engage disability communities in policy discussions to create accessible digital spaces, sensibility to local contexts, application of assistive technologies, and universal design among public and private entities offering digital services. One fundamental (economic) principle that should be upheld is that fulfilling and protecting the rights of vulnerable consumers shall be perceived as an investment, rather than a cost or burden.

An expanded digital economy could add up to US\$2.8 trillion to the Indonesian economy by 2040. It is imperative to improve basic supporting infrastructure, increase connectivity, and achieve equitable broadband access in underserved areas. Government should also raise awareness of disability rights among different economy actors, enforce accessibility standards on digital platforms for different types of disabilities and abilities, and strengthen laws to promote inclusive business and consumer protection. Digital literacy programs are also important to empower people to safely navigate in the newly accessible digital world, create value, and grasp opportunities to increase their prosperity. With these commitments, governments and businesses can connect as many Indonesians as possible to the digital world. Digital accessibility is crucial and should be a priority so that no one is left behind and equitable access to essential digital services for all segments of society can be achieved.



### **ABOUT THE CENTER FOR INDONESIAN POLICY STUDIES**

Center for Indonesian Policy Studies (CIPS) is a strictly non-partisan and non-profit think tank providing policy analysis and practical policy recommendations to decision-makers within Indonesia's legislative and executive branches of government.

CIPS promotes social and economic reforms that are based on the belief that only civil, political, and economic freedom allows Indonesia to prosper. We are financially supported by donors and philanthropists who appreciate the independence of our analysis.



# *For a Free and Prosperous Indonesia*

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