

# New Presidential Regulation – Would It Accelerate Indonesia’s Game Industry?

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On the 12th of February 2024, the Government of the Republic of Indonesia issued Presidential Regulation Number 19 of 2024 on the Acceleration of National Game Industry Development ("**PR 19/2024**"), in response to the enactment of Law Number 24 of 2019 on the Creative Economy ("**Law 24/2019**") which mandates the game industry as one of the subsectors of the creative economy to be developed and strengthened in order to facilitate economic transformation, enhance national competitiveness, and increase its contribution to the national economy.

While overall economic growth in Indonesia was experiencing a decline due to the COVID-19 pandemic in the 2020, the game industry was able to contribute approximately 2.19% (two-point nineteen percent) to the national gross domestic product and grew by 4.47% (four-point forty-seven percent) in the same year.

According to the data from the Ministry of Communication and Informatics ("**MoCI**"), the number of gamers in Indonesia in 2021 reached 174,100,000 (one hundred seventy-four million one hundred thousand) individuals and is estimated to continue increasing to 192,100,000 (one hundred ninety-two million one hundred thousand) individuals by the year 2025. The number of gamers in Indonesia is the largest in Southeast Asia, reaching 43% (forty-three percent) in 2022.<sup>1</sup>

In order to harness the potential of the creative economy and digital economy through the game industry, the Indonesian Government has officially enacted PR 19/2024 with the aim of providing a legal framework and certainty for all parties involved in the development of the national game industry, and also to introduce the National Game Industry Development Acceleration Program ("**Acceleration Program**") as regulated under the annexes of PR 19/2024.

According to PR 19/2024, a game is defined as software through which users can interact via hardware to play and receive audiovisual feedback ("**Game**"). Meanwhile, a National Game refers to a

game product owned by Indonesian citizens or Indonesian legal entities as evidenced by a registration certificate of creation or intellectual property certificate ("**National Game**"). In implementing the Acceleration Program for National Game industry development, the Central Government and Local Governments may collaborate with educational institutions, business entities, industrial sectors, community networks; and/or media.

Within the Acceleration Program, there are 7 (seven) detailed programs for the development of the National Game industry from upstream to downstream sectors, which are targeted to be implemented in the year 2024. The Acceleration Program will be jointly carried out by the ministries and stakeholders through work programs as follow:

## i. Human Resources Development

The Government will conduct training and mentoring for human resources according to the required competencies, with a target of training 1,200 individuals to be involved in the development of 3-5 multiplayer-based flagship games, to be carried out by the Minister of Education, Culture, Research, and Technology ("**MoECRT**"). Furthermore, policies will be formulated to facilitate work permits for foreign workers for each game developer from abroad,

<sup>1</sup> Annex of PR 19/2024, page 3.

and job categorization within the National Game industry that can be occupied by foreign workers, to be implemented by the Minister of Manpower (“MoM”).

## ii. Access to Financing and Capital

In supporting access to financing and capital in the National Game industry, the Government, through the Minister of Tourism and Creative Economy (“MoTCE”) and the Minister of Finance (“MoF”), has devised several financing schemes, including: (a) financing schemes from investors through matching funds and venture capital companies (“**Game Fund**”), (b) financing schemes for the National Game industry through banking based on intellectual property (“**Banking Financing Scheme**”), (c) the obligation for game platforms to provide access to local electronic payment systems as alternative digital payment channels (“**Third Party Payment**”), and (d) formulation of tax incentive policies for game developer activities and game publishers by adding the industry to Special Economic Zones (SEZs) and providing corporate income tax facilities.

## iii. Enhancement of Market Promotion for Game Industry

National gaming promotion shall be conducted by the MoTCE in conjunction with the Minister of Trade (“MoT”), through the implementation of promotional activities for 30 National Game abroad and 100 National Game domestically annually. Furthermore, to enhance the marketing of National Game products, special slots for the promotion of National Game and their derivate products (merchandise) shall be provided within e-commerce/marketplace platforms.

## iv. Development of Technology Infrastructure

The Government, through the MoCI will develop digital infrastructure to support the National Game industry such as the widespread deployment of internet access and the extensive installation of 5G wireless cellular networks in Indonesia.

## v. Development of Hardware Industry for Games

The Government, MoI will promote collaboration between the manufacturing industry and the National Game industry by conducting intellectual property-based business matching.

## vi. Activation of National Games in Regional and Global Areas

In efforts to enhance National Game activities, the Government, through the MoTCE, will involve National Games in events including electronic sports competitions/tournaments at the national and international levels, as well as organizing periodic National Game creation competitions as incentives and appreciation for the best domestically made games.

## vii. Preparation of Statutory Regulations for Strengthening the Game Industry Ecosystem

In an effort to encourage foreign game publishers to invest in Indonesia, a separate Standard Classification of Indonesian Business Fields (*Klasifikasi Baku Lapangan Usaha Indonesia* or “**KBLI**”) will be developed for game publishers. These programs will be implemented by the MoCI together with the Minister of Industry (“**MoI**”), MoF, Minister of Investment/Investment Coordinating Board (“**MoICB**”), MoT and the Central Statistics Agency (“**CSA**”).

Aside from the abovementioned programs, PR 19/2024 introduces new regulations that require foreign game publishers to establish a legal entity in Indonesia before entering the Indonesian market, which may be commercially challenging to some in the game industry.

To address this, the regulation offers an alternative solution: partnering with Indonesian companies, albeit the detailed technicalities of these partnerships are still being finalized. Partnerships may involve various aspects such as game creation, distribution, and promotion. While this appears to expand opportunities for foreign game publishers entering the Indonesian market, the question remains: will it truly accelerate Indonesia’s game industry?

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*The article above was prepared by Dentons HPRP’s lawyers*

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