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**Challenges and Obstacles of Improving Technology Transfer in Indonesia
in Example of the Idea to Establish
a Technology and Innovation Center in Yogyakarta**

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Since 2001 Indonesia has been implementing new paradigm of national development which is based on regional autonomy. Decentralization is believed to become an effective way in creating a better future in which local needs and local environment will be more considered in the social and economical activities than before. The shift from centralized authorities and mindsets into more decentralized ones is a process which needs much time. The transformation process will become more effective if formal and informal interaction mechanisms can be found and established which can accommodate individual and collective initiatives and efforts and connecting them to build meaningful changes toward sustainable development in the local and regional setting. This process needs the awareness of local actors for the importance of cooperation and tolerance. Interactions between local actors become very important in optimizing the efforts and its synergy. However the quality of efforts will depend on the technological capability of local innovation system. Technology is to be understood in a broad context which includes not only hardware but also organization, knowledge, process and product. Key elements of local innovation system can be grouped into four pillars of technological capability: (1) firms, (2) education and training institutions, (3) technology institutions, and (4) framework conditions (macroeconomic, regulation, politic, culture, infrastructure, etc).

This paper will discuss an idea of Technology and Innovation Center in Yogyakarta which will improve the interactions among actors of the four pillars of technological capability in the fields of Life Sciences. The results of the field study for it will be described briefly and obstacles for its implementation will be discussed.

Based on results of an other field study which has been conducted to observe the perception and opinion of local actors about opportunities and obstacles of local technology transfer in five districts in Indonesia an alternative proposal for more possible and realistic actions of improving interactions and technology transfer in example of herbal medicine industry has been made.

Keywords: technology transfer, local innovation system