Knowledge Resources Management and Intellectual Capital Creation as an Endogenous Source of the Local Government Units Potential in Poland

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ABSTRACT. Managing local government units in the 21st century faces new challenges connected to the conditions of knowledge-based economy. Currently the greatest approval is gained by the view which states that the ability to manage knowledge becomes a truly deciding factor for the efficiency of economic processes. In the conditions of globalisation, free capital flow and dynamic development of the capital market and new financial instruments, the LGUs are forced to seek new paradigms for finance management, such as will focus – to a greatest extent than before – on diffusing information and knowledge, developing competences of key significance for the LGUs, developing financial knowledge among LGU employees and supporting organisational learning.

Keywords: Local Government Units; LGUs management; intellectual capital; financial instruments; local finance.

INTRODUCTION

Local governments constantly evolve and undergo dynamic changes. This stems from the fact that their structure, rights, organisational form and methods of acting are always the effect of changing macroeconomic and socioeconomic conditions, economic and technical possibilities and many other factors impacting social behaviour and needs. Managing local government units in the 21st century faces new challenges connected to the conditions of knowledge-based economy. Currently the greatest approval is gained by the view which states that the ability to manage knowledge becomes a truly deciding factor for the efficiency of economic processes. In the conditions of globalisation, free capital flow and dynamic development of the capital market and new financial instruments, the LGUs are forced to seek new paradigms for finance management, such as will focus – to a greatest extent than before – on diffusing information and knowledge, developing competences of key significance for the LGUs, developing financial knowledge among LGU employees and supporting organisational learning.

Knowledge resources management and intellectual capital creation should be viewed as complementary, mutually dependent and interpermeating processes. Intellectual capital is the consequence of suitable application of financial knowledge in practice*. On the basis of the above

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arguments, it is possible to identify the premises connected with the role of knowledge in modern LGU management. They include the following determinants:

- knowledge is an LGU’s strategic resource, as it is the basis for creating innovative processes e.g. in the area of finance management;
- knowledge is created by people and their competences;
- knowledge is a resource used in every part of an LGU’s functioning and at its every level (knowledge is the basis for configuring key investment processes and for developing key competitive competences);
- usually there is not just one kind or category of knowledge; much more frequently synergically integrated groups of various types of knowledge are created;
- the quality, relevance and value of the created knowledge is verified by the local environment, the community, and the new added value created by investment for the inhabitants.

1. Intellectual capital as an LGU resource

Currently the subject’s literature takes the stand that the essence of knowledge management is the practical application of all resources an LGU has (both financial and organisational) to realise its strategic and development goals. However, it must be kept in mind that the processes of locating and developing knowledge are just a part of the local government’s success. To talk about permanent benefits resulting from LGU knowledge management, the new knowledge must be used in practice. Considering the above, E. Skrzypek claims that knowledge resources in an organisation are its intellectual assets, a sum of the knowledge of individual employees and their teams. The resources change continually and form the process of LGU learning. An interesting view on the issue is presented by G. Urbanek, who states that intellectual capital constitutes an organisation’s invisible resource which creates visible effects. Intellectual capital is both knowledge in itself and the result of its transformation into intangible assets. It can thus be stated that the key problem is the LGUs’ ability to gain, generate, accumulate and effectively use the current and extensive knowledge, foremostly with the participation of LGU executive and decision-making bodies and LGU workers. In such a view, the human capital becomes a factor which contributes directly to building the potential of intellectual capital and is at the same time its valuable basic element*.

It may be said that from the viewpoint of the specific character of knowledge management in the LGUs the most crucial matter is to recognise the basic factors responsible for creating the particular components of the intellectual capital, and to diagnose the relations between them. Such approach stems from the fact that the LGUs are not uniform, both with regard to the administrative level and to financial autonomy or the scope of own tasks. Thus it must be noticed that in practice there appear various factors impacting the development of the selected elements of intellectual capital. They are directly dependent on such conditions as: the LGUs’ geographical location, their own income structure, financial autonomy or their tangible and intangible assets. An equally important role belongs here to the entrepreneurship of inhabitants and management innovativeness, and finally also the quality of public services, which derives from the inhabitants’ expectations and their activity.

When making research on local governments, it must be noted that the dynamic increase of the LGUs’ investment expenditure and ever more intensive search for alternative sources of financing investments and further development perspectives make knowledge – understood as intellectual capital – to the priority of local government targets and a marker of LGU competitiveness. The above findings bring us closer to structuralising the concept of knowledge management and recognising the conditions for the processes of creating intellectual capital in the LGUs. Research conducted in 2003–2004 by B. Kożuch† showed that local government employees appreciate active and passive forms of training in knowledge and vocational skills development. In

* See more in: Skrzypek E., Wiedza jako czynnik sukcesu w nowej gospodarce (Knowledge as Success Factor in New Economy), [in:] E. Skrzypek, A. Sokół (eds.), Zarządzanie kapitałem ludzkim w gospodarce opartej na wiedzy (HR management in Knowledge-Based Economy), Knowledge and Innovation Institute, Warszawa 2009, and in Urbanek G., Pomiar kapitału intelektualnego i aktywów niematerialnych przedsiębiorstwa (Measuring an Enterprise’s Intellectual Capital and Intangible Assets), Łódz University Press, Łódź 2007.
† Kożuch B. Zarządzanie organizacjami publicznymi w warunkach transformacji systemowej (Managing Public Organisations in System Transformation), research project of the State Committee for Scientific Research-Ministry of Scientific Research and Information Technology 2003-2004 nr 2H02D 05924.
nearly half of the examined units a training policy was functioning, and the training system took into account: training planning, training needs assessment, training implementation and training process effectiveness assessment. The opinions on the actual situation proved the need for far-reaching changes in human resources management in public organisations. None of the examined organisations claimed to have a training system consistent with the training policy aims or principles. In the examined units there was no comprehensive, fully realised training policy, either.

2. Knowledge and effective use of LGU financial potential

Considering on the one hand the presented significance of knowledge in the process of effective management and use of LGU potential, the change evolution directions in the whole public finance sector, the role of the capital market and various financial instruments in LGU management process, and on the other the traditional view on the LGUs as a kind of “public tasks administrators”, and adding to that the level of knowledge of graduates and young employees of the LGUs' financial departments, the following conclusions may be drawn:

Firstly: The changes occurring in the whole public finance sector, the effect of the adopted strategy of reducing the public debt and budget deficit, will cause the assumed debt to grow – in relation to the LGUs (and their associations), while the pace in which it grows will diminish, in consequence of the decreasing deficit of this group of units. The LGUs’ loan needs will stem from investment expenditure, mostly for infrastructure projects, including those co-financed with means from EU funds. Similarly to the previous years, the most debt will be generated by cities with district rights and communes. According to the forecast of the Ministry of Finance, the dominating instrument in financing the LGUs’ loan needs will still be credits obtained from commercial banks in the Polish market. Also the debt from communal bonds will grow, particularly those issued by large local government units. The rule of the LGUs’ balanced current budget, in force since the beginning of 2011, will influence the scale of new liabilities that are incurred. The LGUs may incur liabilities until 2013 on the principles defined in the act of 30th June 2005 on public finance. The rules of incurring liabilities defined in the act of 27th August 2009 on public finance, aimed to counteract the LGUs incurring excessive debt, enter into force in 2014.

Secondly: In a real view, considering e.g. inflation, the real income of local government units seems to be stable, and in some cases even to decrease. There are several causes of that: income structure unfavourable for local government units, too low means – in relation to needs – granted to local government units from the state budget, high bank credit rate. Another factor which is unfavourable for the state of public finance is the shifting of ever more tasks and obligations to the local government level without a suitable income increase.

Thirdly: The presented restrictions on the freedom of local government units to incur liabilities, in connection with the need to treat the LGUs as active market entities and at the same time as participants of the capital market are confirmed by new issues of communal bonds, performed even by medium-sized and small communes. By the end of the 3rd quarter of 2010, 418 Polish local governments had issued bonds. Many of them issued the bonds several times, which gives a true view to the size of the bonds market in Poland. In the 1st quarter of 2011, the value of the communal bonds market reached the level of 11.47 milliard PLN. In a year-to-year view, the value of this segment grew by 61.9 %. During the last quarter, its value has risen by another 5.7 %.

Financial knowledge is an important factor of LGU functioning and development in the conditions of world economy globalisation, necessary reforms and suggested changes in the functioning of the whole public finance sector. It is also the ability to manage financial processes at a local government unit level in the conditions of limited freedom of debt management and reaching for investment means from European funds. Considering the progressing reforms of the public finance system in Poland and the resulting legal consequences for LGU financial

5 US: billion [translator’s note].
management, and on the other hand taking into account the development of the financial services’ market addressed to local governments, the quality of employees and their knowledge in modern and dynamic local finance management gain a new dimension. The LGUs seek knowledge, specialist training, and often together with universities realise various projects – financed with EU means – concerning training, consultancy and implementation. The LGUs have the financial means for education and training, as proved both by the provisions of budget resolutions and by reports from realising the budgets. On the other hand, financial education based on a modern understanding of financial management must be stimulated, with consideration for the new challenges in economy and finance after the subprime crisis, as well as for the theoretical requirements and practical concepts of New Public Management.

3. Knowledge, management, and knowledge management

The analysis of knowledge management in the LGUs should start with defining the terms of “knowledge”, and “knowledge management”. This is a complex task due to the fact that while the concept of “knowledge” belongs to the domain of both the public and the private sector, which basically makes it easier to define the term, “knowledge management” is usually related only to the private sector. In effect, using the term of “management” in the context of local government structures means that solutions so far unexploited in local government practice need to be transferred to the area of LGU activity. Knowledge management should thus be seen in the perspective of actions enhancing the ability of local government units to reach the intended targets by referring management-related sector characteristics to the activity of local government structures. Knowledge is identified with “data” and “information”. The first term means raw, unanalysed numbers and facts concerning phenomena or events. The other term – “information” – includes a set of data describing events or phenomena that shape the perception of reality.

Knowledge combines the two terms and at the same time it covers the possibilities of processing and using them. Assuming that data and information are knowledge components, one cannot help but notice that forming a qualitative definition on the basis of quantitative elements is extremely difficult. Considering the above described situation and adopting the views of I. Nonaka and H. Takeuchi as the starting point for further reflections, knowledge should be divided into two categories, i.e. tacit and explicit knowledge. The former is very difficult to discern and capture. In effect, all attempts to formalise it are extremely complicated. Adding to the holistic image of the tacit knowledge the difficulty of its identification, deep rooting in individual actions, and in particular its rooting in ideals and autonomous values – it must be noticed that the possibilities to share it in office structures are very limited. In the case of explicit knowledge expressed in numbers and words, the situation is quite the opposite. This type of knowledge, as opposed to tacit knowledge, is communicated clearly, which allows to spread it in the form of scientific rules, formulas, procedures or principles.

The awareness of the role played by knowledge in the practical activity of local governments stimulates actions aimed at building it in a well thought-out manner. A statement can be risked here that effects gained by the unit as expressed e.g. by budget planning effectiveness derive to an equal degree from clerical knowledge and from sharing explicit knowledge resources. The unit’s potential is also constructed on the basis of tacit knowledge resources. Assuming that the office means the people creating it, a simple relation can be found between tacit knowledge and LGU actions’ effectiveness. It can thus be noticed that both these spheres impact the effectiveness of the activity of single local governments – although in a completely different manner – and in effect also of the whole local government subsector of public finance.

Realising that knowledge is a function of skills and acquired experience, and that due to its intangible character it is constantly shaped by perceiving and using new chances, it may be stated that knowledge is a determinant of effective actions of local government structures while it also stimulates their development. The view indicates how reasonable it is for local government units to construct solutions to efficiently mobilise knowledge resources and manage them. There appear the

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questions, what knowledge management is and how it should be related to LGU activity. Assuming that the basic component of knowledge is information, knowledge management should be viewed in the categories of information management, while the analytic context should be broadened to include managing knowledge employees.

The specific character of local government structures’ functioning brings with it the risk of isolating knowledge. Departments’ autonomy creates closed knowledge centres formed by the office’s particular units. The situation results in blocking knowledge within particular departments and not allowing it to be translated into the spheres of other departments. The described knowledge management model usually results in high assessment of single units (or the individuals employed there) against a general negative assessment of the whole office. It seems that the above presented problem could be solved by making separate information available within the local government unit’s structures and transforming a single skill into a resource matching the needs of the whole LGU. This aim can be realised by applying knowledge management parallel in the strategic dimension (focusing on building a knowledge-based and open-to-knowledge organisation) and the operational dimension which includes creating, gathering and processing knowledge and using its resources to reach the organisation’s aims.

4. Knowledge transfer in a local government organisation

Low efficiency of the impact of knowledge on LGU organisational potential does not result exclusively from deficiencies in managing its resources. As a static resource, knowledge has a relatively small significance for realising the aims of an organisation. Its real value for an LGU is thus determined by its transfer. Similarly, the real value of knowledge resources grows together with access to them.

Combining knowledge resources with the scope of its use poses questions about its deficits and surpluses. The former result from blocking knowledge, lack of initiatives to help it flow, or insufficient qualifications of people employed in LGU structures. Knowledge deficits can thus cause wrong clerical decisions, faulty resolutions and interpretations. Knowledge surpluses cannot be considered a solution to the above mentioned problems. In fact, they mean information noise which makes making the right decisions more difficult. Both situations should thus be treated as disadvantageous extremes. Knowledge overload, understood as a load of information unrelated to the area of competence of the particular department, can be as disadvantageous as its deficit. Thereby, both situations bring recommendations on steering knowledge transfer. In the first place, the process should be selective. This means that the knowledge transfer ought to be preceded by recognising the needs of the people and units in the LGU structures where that knowledge is going to be transferred. Such a solution effectively eliminates burdening the employees of particular departments with unnecessary knowledge. Causing completely unjustified costs, such burdening does not translate into effectiveness of LGU activity. Secondly, the knowledge should be supplemented on the basis of a matrix of needs developed based on a diagnosis of the knowledge demand of employees in each department. Thirdly and finally, knowledge transfer to particular departments requesting the knowledge should be constant. Combining the factors makes the knowledge transfer process effective and efficient, and the related expenditure justified not only as to its subject, but also as to economy.

The considerations so far concentrate in three areas of the LGUs’ functioning and concern the issues of the individual (clerk), internal structure (a unit’s organisational structure) and external structure of an organisation (LGUs’ environment). Such a view on knowledge management agrees with the stand of K. E. Sveiby*. That multi-directional knowledge flow gives the possibility to absorb it, i.e. to learn. To ensure that the processes are as effective as required it is necessary to first select and then indicate the needs in the area of knowledge and to take actions to supplement it in those departments of the unit which have a deficit of knowledge. Creating knowledge (as this process is called) bases on the interpenetration of its resources in three dimensions. These are: knowledge worker (LGU clerk), knowledge team (formed by the particular departments) and knowledge factory (viewed as a local government unit). Basing on the division into explicit and tacit

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knowledge, these processes create a “knowledge spiral”, based on four stages, i.e.: socialisation, externalisation, combination and internalisation (cf. Table 1).

**Tab. 1. Description of stages forming the spiral of knowledge creation in LGU organisational structure**

<table>
<thead>
<tr>
<th>Stage 1: Socialisation</th>
<th>Stage 2: Externalisation</th>
<th>Stage 3: Combination</th>
<th>Stage 4: Internalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covers the flow of tacit knowledge</td>
<td>Concerns changing tacit knowledge into explicit knowledge</td>
<td>Concerns converting explicit knowledge from simpler into complex forms</td>
<td>Concerns changing explicit knowledge into tacit knowledge</td>
</tr>
<tr>
<td>Expressed in decision-making autonomy within the unit’s structures</td>
<td>Done through dialogue (done e.g. through creative thinking techniques)</td>
<td>Consists in gathering, sorting and integrating elements forming explicit knowledge resources</td>
<td>Usually done by giving experience and training employees</td>
</tr>
</tbody>
</table>

**Source:** Own study.

The above table is a certain matrix. Its interpretation allows to notice that optimising knowledge management by the LGUs is conditioned by full cooperation of the unit’s structures in creating and transferring both the explicit and the tacit knowledge, in relation to individual clerks, particular departments and also the whole unit. The indicated solution should be viewed as a model, for it guarantees the required data and information circulation, and in effect knowledge circulation in all possible dimensions of local government structures’ functioning, which strengthens the LGUs’ ability to reach the assumed aims and optimises the process of knowledge creation and transfer.

The diagnosis of the practice of knowledge management in the LGUs does not evoke much optimism. It shows contradictions between how the processes of identifying, managing and transferring knowledge are understood and the practical approach to the actions. Research shows that about 40% of LGUs take actions to enhance knowledge resources and obtain greater effectiveness of its use, yet at the same time 43% deny taking initiatives related to knowledge management or transfer. What is worse, the LGUs openly declare not being convinced of any relation between knowledge management and the effectiveness of local government structures’ activity. In effect, in the majority of cases the knowledge transfer in local governments goes just one way, according with the transposition direction of the statutory law. As shown by the quoted research, local government structures are not yet ready to the role and expectations posed before them by market mechanisms. Not understanding the benefits flowing from knowledge management, multiplication and transfer, the LGUs are not able to appreciate them fully. The sphere of potential benefits from knowledge management is also obscured by focusing on performing current tasks, which postpones any initiatives aimed at implementing innovations in the quality of services provided. Adding to that insufficient care to transfer individual competences within the units’ structures, the rift between the achievable and real exploitation of the potential formed by knowledge resources in an organisation is very clear to see.

**5. Financial education. Definitions, stereotypes and problems**

Awareness barriers to effective financial education are the limitations, disruptions and obstacles in the thinking of people who make decisions in the area of finance. These are as much factors of a cognitive (flaws in knowledge and reasoning), axiological (inhibitions and traps related to the aims set, own values and principles, or assessment received) or emotional character (emotions as a source of mistakes and irrational attitudes) as limitations imposed by the mentality type formed in a given culture (local community).
Financial knowledge means the ability to gain and keep information and to use it in the practice of managing public (local) finance. Knowledge creation requires someone to first process, combine and interpret information. Local government organisation’s learning is connected not only with using the knowledge of the environment, gathering and keeping it in databases made by the LGU, but also, and this to a growing extent, with creating its own knowledge. This fact is extremely important. In the resource-based view of strategic management it is actually believed that the competitive edge depends more on the organisation’s behaviour than on competitive environment. A particular role is ascribed here to knowledge and information, and thus to intellectual capital, which is an organisation’s intangible asset. The capital includes not only knowledge of the employees (human capital), but also the knowledge which remains in the organisation even when employees leave it (structural capital). An LGU’s intangible assets may be divided into visible and invisible ones. While the visible assets comprise those which the enterprise (including entities founded by the local government unit) has property rights to, the invisible assets include: knowledge, experience, employee competence, structural capital of employee teams and the organisation as a whole, organisational culture, external structural human capital concerning the LGU’s relations with the local community. The meaning of the presented issue has thus a much wider dimension than could be expected.

Knowledge in LGU financial management is ensuring means on a long-term and current basis allowing to effectively and economically realise aims resulting from the local government unit’s strategy by:

- setting the scope of financial possibilities in a perspective of several years (in the LGUs it is determined by a several-year financial perspective);
- specifying standards for preparing programmes and tasks to be financed, with consideration for ways of measuring them;
- compiling yearly and several-year plans as a sum of projects and tasks balanced with financing possibilities;
- combining means with aims (planning, monitoring, reporting, evaluating);
- gathering data to monitor progress and assess the degree of task and programme execution in order to:
  - gain the assumed service standard and ensure a suitable level of infrastructure necessary to provide the services;
  - ensure realising development aims in accordance with priorities set in the strategy;
  - reach high efficiency (proper definition of service recipient needs and ensuring proper quality of the service) and proper cost-effectiveness of the activity.

Research on financial education shows that it should be analysed and viewed in a broad context. Due to the changing financial services’ market, that education should be viewed as a constant process which allows financial service consumers to make conscious decisions and which at the same time motivates financial agents to construct intelligent and responsible products. Financial education is one of the components of economic education, which in turn shapes economic awareness. Deep economic awareness is the effect of a long and complex education process, mainly at the stage of higher education (formal education). Its changes (practicality and adjustment to market realities) are only possible in the long term, as they require e.g. developing and implementing education programmes. Shallow economic awareness is the result of the brain registering images and notions received by an individual from other community members and also from the media.

6. LGU activity areas which require enhancing financial knowledge.

Practical conclusions

Keeping in mind the need to enhance the financial knowledge of LGU managers and of the employees of LGU financial departments, in the first place one needs to constantly identify the level of knowledge in general and knowledge of the modern methods and tools for managing local

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*Kromer B., Wiedza jako podstawowy czynnik funkcjonowania organizacji intelligentnej (Knowledge as the Basic Factor of an Intelligent Organisation’s Functioning), Zeszyty Naukowe Politechniki Koszalińskiej [Scientific Brochures of the Koszalin University of Technology], No. 7/2008, pp. 34ff.*
finance, and in response to the findings suggest innovative know-how in the sphere of financial management, capital and monetary markets, as well as institutional improvements aimed to optimise both financial planning and strategic LGU finance management.

The basic instrument in the process of enhancing financial knowledge in the LGUs is constant (permanent) employee training and education, which includes suggesting modern solutions and ideas based on consulting and on the offer of practical post-graduate studies and innovative training. The basic difference between employee training and education is that training as a rule focuses on the unit and on procedures, and improves technical skills. Education focuses on the company (entity) and people, and concentrates in particular on developing their personalities. Moreover, education is future-oriented, while training is rooted in the past. Training teaches what should be done and how, education answers the question, why to educate. Only mutual complementation and permeation of the two forms of education may guarantee organisational success of an LGU as a whole.

A comprehensive know-how which enhances the financial knowledge of people employed in the LGUs is provided by a broadly understood consultancy offer related mainly to communal bonds and managing the whole process of planning and issuing bonds. Local governments expect services that consist in gaining financing in the form of bonds and credits, restructuring the existing debt (e.g. earlier bond repurchase), seeking alternative solutions (receivables purchase, ESCO projects) and preparing financial analyses, including ones on the credit capacity they have. At the same time, the LGUs (mainly communal companies and their managers) are interested in revenue bonds, which can be issued by local government units and communal companies. Knowledge in that area is very poor, though revenue bonds allow their issuers to obtain long-term financing for 20-25 years, while the average corporate bonds are issued in the domestic market for 5-7 years. Local authorities expect comprehensive cost-benefit analyses of such financing and analyses of the legal possibilities to use communal bonds in managing communal companies. In practice, such services as water supply, sewage disposal or public transport are characterised by highly predictable income and low business risk. And thus companies engaged in such activity can issue revenue bonds.

Instrumentalisation includes also comprehensive solutions concerning the optimal way of financing public tasks, structuring and organising the financing, preparing and managing documents required in conducting development ventures and projects. It is worth mentioning here at least the information memorandum, informative documents, resolutions of supervisory bodies, propositions of purchasing securities, seeking financial investors, support in the choice of other entities participating on the transactions (e.g. brokerage houses, banks, auditors, law firms), and finally also consultancy as concerns managing and restructuring LGU debt.

Another area of consultancy which might be interesting to the LGUs, and which is already realised in many cases, covers activities related to managing the current debt. The activities should consist in a comprehensive assessment of loan refinancing possibilities, definition of the possibilities of incurring new liabilities, formulation of propositions for restructuring the existing debt, management of the bond portfolio (new issues, roll-over) and application of other products, such as receivables purchase or ESCO projects.

Yet another area of both consulting and training is knowledge on evaluating legal and financial possibilities of using investment financing sources available to the LGUs. An important area of interest to local governments are projects based e.g. on public-private partnerships, leasing, budget programming, financial market funds, hybrid financing, and the possibilities to limit costs of financial transactions. In that area, instrumentalisation should include not only spot indication of financial instruments. Its role is to present the pros and cons of the particular sources of financing LGU investment activity, with particular consideration of financial costs and the legal and organisational possibilities to use the particular instruments. In most cases, the LGUs avoid using the above mentioned instruments due to the very lack of sufficient knowledge on their functioning and legal stipulations concerning their application.

CONCLUSION
A crucial instrument of building financial knowledge in the LGUs is a dedicated offer of comprehensive tools which allow to create overall LGU financial strategies based of the determinants of their construction, financial strategies’ creation procedure, as well as financial
decision models which will form the basis for strategic solutions. An integral element of educational and consultancy programmes is the need to present the whole decision-making process within the adopted income and expenditure account related to both short- and long-term task performance. Local governments should have the areas where general strategy elements are connected with the financial strategy indicated to them, together with the significance of those connections for LGU budget management.

An important area of implementing financial knowledge in the LGUs is also offering insurance tools as a method to manage risk in local government activity, including financial risk. Implementing this product should cover issues related to the possibilities of limiting risk in local government activity using insurance methods. In effect, training packages should include a review of the classification of types of insurance useful and applied in local government units’ activity, considering the aspects in which insurance companies’ offers should be analysed. Finally, the offer of each insurance product should hold an assessment of insurance conditions, ways to compare them and criteria allowing to optimise the choice of the insurance offer.

An area of knowledge which is commonly seen by the LGUs as controversial and dubious is ordering the performance of the LGUs’ own tasks to communal limited liability companies and joint-stock companies, without applying the public procurement law. The problem here are the issues of a possible recapitalisation of such companies as a form of payment for the performed public tasks, i.e. raising the share capital through additional contributions. The LGUs expect precise solutions standardising the issues of potential problems with such subsidisation of the companies’ activity, which in the case of raising the share capital may result from the guarantee function of the share capital expressed in the rule that company liabilities should not be paid from the amount equal to the capital amount. Moreover, raising the capital and potential subsidies should be viewed from the perspective of their admissibility according to provisions on public aid. Important is also the issue whether in the case of the communal company “intrinsically” performing the commune’s tasks, a sale takes place as understood by the act on value added tax, which should be considered for instance due to the fact that the right to deduct that tax, included in the goods and services purchased by the company, is problematic in such a situation.

An area of both consulting and training equally desired in LGU activity is knowledge on the possibilities to use sale-and-lease-back of communal property in practice. This form of leasing provides an interesting alternative for such financing forms as for instance credits. This is the only instrument in the market characterised by a division of investment risk between the lessor and the customer, because for example such a loan does not need to be settled as a whole, as in the case of a credit. The local government may pay e.g. 70% of the liabilities to the bank, and the rest is treated as the lessor’s risk. It seems that this should be an interesting product for all communes which do not wish to raise their debt ratios. However, the use of this option by local governments in Poland is very difficult and risky, as there are no suitable legal acts to sufficiently standardise these instruments. The act on property management is very unclear in this matter. Inconsistent is also the judicature of the Regional Chambers of Accounts. In effect, local governments have to be very careful when using sale-and-lease-back.

In the situation when the environment constantly changes, there is no stabilisation and uncertainty grows, the LGUs expect solutions based on changing from current to predictive approach, and a development of effective rapid reaction methods to create their development and perform own tasks in a stable manner. The LGUs require knowledge on strategic planning and financial strategy creation and modelling. The finance management strategy in local government units is determined by a system of basic, medium- and long-term principles, rules and instruments used to gain and expend money to meet the needs of the local or regional community. The LGUs want solutions which would enable them to implement comprehensive financial strategies (aggressive, balanced or conservative, as needed). Financing the activity of local government units may be subject to various strategies. The strategies may at the same time be modified in order to

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4 Act of 21st August 1997 on property management, Dz.U. 2010, No. 102, item 651.
increase finance management effectiveness in local government units and properly meet the needs of the local community.

A knowledge area connected with LGU financial strategies is the issue of shaping the tax policy at the local (communal only) level, considering the usefulness and effectiveness of applying reductions and exemptions in local fees and taxes. Quite frequently, communes give in to the political pressure of the local community and introduce various tax preferences which have a very limited impact on economic and social phenomena. Communes expect comprehensive research on the non-fiscal effectiveness of the preference system in local taxes and on a competent construction of medium – and long-term tax strategies (correlated with the financial strategy).

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УДК 31

Управление ресурсами знаний и создание интеллектуального капитала как эндогенный источник потенциала органов местного самоуправления в Польше

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Аннотация. Перед руководящими органами местного самоуправления стоят новые задачи, связанные с условиями экономики, основанными на знаниях. В настоящее время наибольшее одобрение получило мнение, которое заключается в том, что способность управлять знаниями становится решающим фактором для эффективности экономического процесса. В условиях глобализации, свободного движения капитала и динамического развития рынка капитала и новых финансовых инструментов, органы местного самоуправления вынуждены искать новые парадигмы для финансового менеджмента, такие, которые будут в большей степени, чем раньше, концентрироваться на информации и знаниях, развивая компетенции основной значимости для органов местного самоуправления, развивая финансовые знания среди сотрудников органов местного самоуправления и обеспечивая организационное обучение.

Ключевые слова: органы местного самоуправления; управление органами местного самоуправления; интеллектуальный капитал; финансовые инструменты; местный бюджет.