WHY NAMIBIA'S NON-COMMERCIAL, GRANT AND LEVY-FUNDED STATE-OWNED ENTITIES SHOULD SERIOUSLY CONSIDER IPSAS

Introduction

When a state-owned entity (SOE) exists primarily to deliver a public service rather than to maximise profit, its financial statements should tell citizens more than whether revenue exceeded expenses. They should show what resources the entity controls, what obligations it has assumed, how public money was used, whether services are sustainable and whether the entity remained accountable to its approved mandate and budget.

This is the central reason Namibia should reconsider the default use of International Financial Reporting Standards (IFRS) by every state-owned entity. IFRS remains entirely appropriate for commercially oriented public enterprises that:

- ✓ Operate like businesses;
- ✓ Compete for customers;
- ✓ Raise capital; and
- ✓ Are expected to generate returns.

But for a non-commercial SOE whose principal income is a government grant, statutory levy or transfer and whose success is measured mainly by service delivery and stewardship the International Public Sector Accounting Standards (IPSAS) can provide a better fit.

Same accounting discipline, different reporting lens

Both IFRS and accrual-basis IPSAS require disciplined recognition, measurement, presentation and disclosure. Both aim to produce credible, comparable financial information and many IPSAS requirements are aligned with IFRS where the underlying transaction is similar. The difference is not that one framework is rigorous and the other is not. The difference is the economic environment each is designed to explain.

Question	IFRS	IPSAS
Primary context	General-purpose financial reporting by businesses and other entities, with strong emphasis on information useful to investors, lenders and creditors.	General-purpose financial reporting by governments and public-sector entities, with emphasis on accountability, stewardship, service capacity and decision-usefulness.
Dominant transactions	Sales, financing, investment returns and other exchange transactions.	Taxes, transfers, grants, levies and services supplied without a directly equivalent return, alongside exchange transactions.
Performance lens	Profitability, cash generation, financial position and returns.	Cost of services, use of public resources, financial position, sustainability and achievement of public-service objectives.
Distinctive areas	Investor-focused presentation and requirements suited to commercial activity.	Public-sector guidance on non-exchange revenue, approved budgets, non-cash-generating assets and grantor-side service concessions.

Under IFRS, a government grant is generally treated as assistance linked to compliance with conditions and recognised systematically against the related costs. IPSAS asks a broader public-sector question: is the inflow an exchange or a non-exchange transaction, and does the arrangement create a present obligation? That distinction is often more natural for entities funded by appropriations, transfers or compulsory levies.

Why IPSAS is a stronger fit for non-commercial SOEs

- **it aligns reporting with substance.** A levy-funded regulator, board, fund or service agency does not earn most of its income by selling goods at market prices. Its inflows arise from law, public policy or a funding decision. IPSAS provides a framework built to explain such non-exchange transactions and the obligations that may accompany them.
- **it strengthens accountability for public money.** Taxpayers, Parliament, line ministries, levy payers and service beneficiaries need to know not only the year-end surplus or deficit, but also whether funds were used for authorised purposes and whether the entity can continue providing services. IPSAS accommodates comparison of approved and actual budget amounts where the approved budget is publicly available, turning financial reporting into a more direct accountability instrument.
- **it better portrays service assets.** Roads, clinics, water networks, regulatory systems and specialised public facilities may be held mainly for service potential rather than cash generation. IPSAS expressly distinguishes non-cash-generating assets and evaluates whether their service potential has been impaired. That is often more meaningful than viewing every asset through a commercial return lens.
- **it can improve comparability across the public sector.** A coherent IPSAS policy for non-commercial SOEs would make it easier to compare funding, liabilities, asset stewardship and service costs across institutions. It would also support better consolidation and fiscal-risk monitoring, provided that government develops consistent reporting instructions and a suitable consolidation approach.
- **it makes the public-service bargain visible.** A surplus at a levy-funded entity may indicate efficient delivery, but it may also signal delayed projects, over-recovery from levy payers or funds restricted for future services. IPSAS does not answer those policy questions by itself, but its public-sector lens helps governing boards explain them more honestly.

Namibia's Public Enterprises Governance Act 1 of 2019 already distinguishes commercial public enterprises from non-commercial public enterprises. That distinction offers a sensible starting point for framework selection: commercial mandate and capital-market accountability point toward IFRS; a predominantly public-service mandate and non-exchange funding point toward IPSAS.

Not an automatic answer for every SOE

The case for IPSAS should not become a slogan that "all SOEs must convert". Some statutory bodies are commercially oriented; some issue debt or operate in regulated markets; some are companies whose legislation, group reporting obligations or other requirements point to IFRS. Namibia's accounting profession currently recognises IFRS as mandatory for public-interest entities not applying IPSAS, while Companies Act obligations and an entity's establishing legislation must also be considered.

The sound policy is therefore a mandate-based classification, approved through the proper legal and regulatory channels. Before changing frameworks, each entity should assess its founding statute, corporate form, ministerial or treasury directives, financing arrangements, consolidation requirements, regulator expectations and audit mandate. Adoption must be lawful not merely conceptually attractive.

Converting from IFRS to IPSAS: a reform, not a relabeling exercise

A credible conversion should be run as a governance, data and systems programme not as a year-end financial statement project. A practical sequence is:

1. **Confirm the authority and reporting boundary.** Obtain formal approval for the framework, reporting date and transition approach. Determine which controlled entities, funds and special-purpose arrangements fall within the reporting entity.
2. **Perform a standards and data gap assessment.** Map every material IFRS policy and line item to the applicable IPSAS requirement. Prioritise grants and levies, restrictions and obligations, budget reporting, property and infrastructure, impairment, leases, employee benefits, provisions, financial instruments, related parties and service concessions.
3. **Select transition policies under IPSAS 33.** Establish the date of adoption, decide which transitional reliefs are appropriate and prepare an opening statement of financial position. The objective is full IPSAS compliance, with transparent disclosure of any permitted transitional provisions.
4. **Rebuild the opening balances.** Validate asset registers, componentise significant assets where necessary, assess service potential, identify previously unrecorded liabilities, review restricted funds and reassess revenue arrangements. Differences should be supported by evidence and approved accounting documents.
5. **Redesign the chart of accounts and systems.** The ledger must capture both financial-statement and budget dimensions, exchange and non-exchange flows, restrictions, funding sources, programmes, assets, commitments and related disclosures.
6. **Prepare disclosure and reconciliation packs.** Develop IPSAS-compliant statement formats and note templates early. Reconcile IFRS closing equity and results to the IPSAS opening position and comparative information so boards, auditors and users can understand the effects of conversion.
7. **Build capability and assurance.** Train finance staff, operational asset owners, budget teams, executives, boards and audit committees. Engage auditors early, strengthen internal controls and conduct a dry run before the first statutory IPSAS reporting year.

Because IPSAS 33 contains transitional reliefs, conversion can be phased. Every exemption should have an owner, evidence requirements, a deadline and a clear effect on the financial statements. Early recognition and measurement of material items should remain the goal.

What Namibia should do next

A national conversion programme should begin with a transparent classification of SOEs according to mandate, funding model and accountability needs. The responsible authorities should issue a framework-selection policy, a common implementation timetable, model accounting policies, reporting templates and guidance on recurring Namibian transactions such as government transfers and statutory levies.

The programme should be coordinated with broader public-finance reform, entity-specific laws, audit capacity and government consolidation needs. Pilot implementation in a representative group of non-commercial SOEs would expose data and systems problems before wider adoption. Success should be measured not by the number of entities that announce IPSAS, but by timely, auditable statements that decision-makers and citizens can understand. For Namibia's genuinely commercial SOEs, IFRS will continue to tell that truth. For entities without a profit motive, sustained mainly by government grants or statutory levies, IPSAS is better placed to show whether public resources have been safeguarded, obligations recognised and services delivered sustainably. Choosing IPSAS in those cases is not an accounting preference; it is an accountability reform.