



MINISTRY OF INDUSTRIALISATION,
TRADE AND SME DEVELOPMENT

Growth Strategy for Namibia's Cosmetics Industry and Associated Value Chains





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FOREWORD



The Industry Growth Programme is part of the ongoing efforts to reinforce Namibia's economic growth, to reduce income inequality and to increase employment for its citizens. This Industry Growth Strategy forms part of the support to selected manufacturing industries envisaged by the Growth at Home strategy, which promotes Namibia's competitive advantages and opportunities. This is envisaged through the Special Industrialisation Programme whose aim is to provide targeted support for value chain analyses and feasibility studies.

It is through the implementation of this and other strategies that the Ministry of Industrialisation, Trade and SME Development, in close cooperation with other line ministries, will support local value addition, upgrading and economic diversification. The efforts will help to structurally transform Namibia's economy favouring the most productive and efficient economic activities, and local industries will be provided with improved market access at home and abroad.

The Industry Growth Programme is an important element of the war against poverty and a further step on Namibia's path towards becoming a highly competitive, industrialised nation with sustainable economic growth as depicted in Vision 2030. As such, this strategy's implementation through 2020 is geared towards strengthen-

ing forward and backward linkages within the Namibian economy as envisaged in the Harambee Prosperity Plan.

Cosmetics is a strategic industry that has, in agreement with the fourth National Development Plan, been selected for a more specific focus on its economic development. Key stakeholders from the business community and public administration who have a vested interest in the Namibian industry's prosperity for the benefit of all have engaged in extensive consultations and substantially contributed to this programme. They are now eager to implement interventions along the value chain effectively.

Many of the suggestions and concerns raised by entrepreneurs and civil servants in extensive discussions have been distilled into this document. This interactive process has once more demonstrated that Namibians together can shape an enabling environment in which the manufacturing sector can thrive and the wellbeing of the Namibian people be advanced.

I am sure that the Industry Growth Strategies have the potential to remove challenges and accelerate economic development in the prioritised areas. The interventions planned for 2016 onwards will allow the targeted industries to prosper according to their inherent abilities. This strategy is a living document. As such, additional comments or remarks from stakeholders are welcome and can be addressed to the Ministry of Industrialisation, Trade and SME Development.

I am confident that, in the vein of the Harambee Prosperity Plan, all stakeholders involved will pull in the same direction in the upcoming implementation phase – as they have done in strategy building – for the advantage of a thriving Namibian economy that creates jobs, incomes and sustainable growth.

Hon. Immanuel Ngatjizeko
Minister of Industrialisation, Trade and SME Development

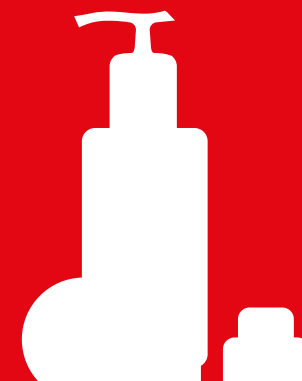
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ACRONYMS AND ABBREVIATIONS

ABS	Access and Benefit Sharing
BIPA	Business and Intellectual Property Authority
CAGR	Compound Annual Growth Rate
CBI	Centre for the Promotion of Imports from developing countries
EITI	Extractive Industries Transparency Initiative
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Zusammenarbeit GmbH
HS	Harmonized Commodity Description and Coding System
IP	Intellectual Property
IPTT	Indigenous Plants Task Team
ISIC Rev. 4	International Standard Industrial Classification of All Economic Activities, Revision 4
ITC	International Trade Centre
KMS	Kalahari Melon Seeds
MAWF	Ministry of Agriculture, Water and Forestry
MET	Ministry of Environment and Tourism
MITSMED	Ministry of Industrialisation, Trade and SME Development
MoF	Ministry of Finance
NACI	Namibian Association of the Cosmetic Industry
NBRI	National Botanical Research Institute
NCRST	National Commission on Research, Sciences and Technology
NGO	Non-governmental Organisation
NQA	Namibia Qualifications Authority
NSA	Namibia Statistics Agency
NTA	Namibia Training Authority
NTF	Namibia Trade Forum
NUST	Namibia University of Science and Technology
PPD	Public Private Dialogue
R&D	Research and Development
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SME	Small and Medium Enterprises
UNAM	University of Namibia
UNEP	United Nations Environment Programme



1. NAMIBIA'S COSMETICS INDUSTRY AND ITS VALUE CHAIN



1. NAMIBIA'S COSMETICS INDUSTRY AND ITS VALUE CHAIN

1.1 Industry Definition

According to **ISIC, Rev. 4**, the manufacturing of cosmetic products is part of division 20, which comprises the transformation of organic and inorganic raw materials by a chemical processes and the formation of products. Within this division, however, a distinction is made between two classes of industries: the production of basic chemicals that constitute a first industry group; and the production of intermediate and end products produced by further processing of basic chemicals that make up the remaining industry class. Therefore both the manufacturing of cosmetic end-use products (“perfumes and toilet preparations”) and the production of most of their active ingredients (e.g. “essential oils”) fall within **Group 202**, i.e. Manufacture of other chemical products, which is very heterogeneous, even at the level of its classes.

Class 2023 combines “Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations”, thus containing all the major end-products of the cosmetics industry, for which the following product list is provided: Perfumes and toilet water, beauty and make-up preparations, sunburn prevention and suntan preparations, manicure and pedicure preparations, shampoos, hair lacquers, waving and straightening preparations, dentifrices and preparations for oral hygiene, including denture fixative preparations, shaving preparations (including pre-shave and aftershave preparations), deodorants and bath salts and depilatories.

The manufacturing of intermediate products that are used in the production of cosmetics, belongs to **Class 2029**, which is a residual class (Manufacture of other chemical products n.e.c.) and contains intermediate products such as “mixtures of odoriferous products for the manufacture of perfumes (or food)” and “essential oils”. Depending on the end-products,


the manufacturing of cosmetics can be based also on other chemical and natural inputs, including raw materials (such as sea salt).

For the purpose of this strategy, the grouping used the Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS), which is internationally used by more than 180 countries to classify traded products. The HS is more clear-cut and handy, as it defines the cosmetic products according to their end-use function. According to HS, the **code 33** (Oils and Resinoids, Perfumery, Cosmetic or Toilet Preparations) is relevant for the cosmetic sector, as it includes both intermediate and end-use products, such as “essential oils” (3301), “perfumes and toilet waters” (3303), “beauty, make-up & skin-care prep, manicure” (3304), “preparations for use on the hair” (3305), and “personal toilet” (3307).

However, given the currently low level of product diversification in Namibia, the industry stakeholders defined the cosmetic industry in the Namibian context as follows:

- **Manufacturing of market-ready and quality-tested natural ingredients** based on locally sourced raw materials (for export and/or local sales as sole ingredients in pure products)
- **Manufacturing of end-use products principally incorporating locally produced intermediate products (i.e. active ingredients)**. The producers add carriers and preservatives to the Namibian active ingredients, some of which are derived from petroleum based and/or synthetically produced ingredients.



- 
- **Manufacturing of end-use products by mainly mixing imported precursors products and preservatives**, derived from synthetic, petrochemical, and/or natural ingredients.

The emphasis is put on cosmetics for the human body, with a bias towards natural ingredients sourced in Namibia. This strategy therefore doesn't specifically address ambiance enhancers (mainly produced alongside cosmetics, as they use similar ingredients) nor animal cosmetic products, **as more growth opportunities were found for natural ingredients' based cosmetics for the human body**. Moreover, it is believed that enhancing framework conditions for human body cosmetics will eventually lead to improved framework conditions for the whole spectrum of cosmetic products.

1.2 Global and regional industry performance

Cosmetics are considered consumer staples, i.e. the use of cosmetics is common in every income segment. As such, this market is stable and can experience continuous growth even in unfavourable economic conditions (Łopaciuk and Łoboda, 2013). Nevertheless, in 2012, only 4% of the total global industry revenue was generated in Africa and the Middle East and it is estimated that per capita spending on cosmetics is 10 to 20 times lower in Africa than in Europe and in North America (Roland Berger, 2013). Although the number of companies competing on the international level in the cosmetics industry is immense, almost half of the global market is controlled by only eleven multinational companies. Among the top 15 global companies, which combined brand value of over \$112 billion in 2014, only one company originates from the emerging markets: Natura from Brazil, with a brand value estimated at 2.23 billion U.S. dollars in 2014.

Additionally, the Global Cosmetics Market Forecast & Opportunities research report foresees that the organic cosmetics market is to be growing to reach a compound

annual growth rate (CAGR) of about 10% by 2021. This creates opportunities for Namibian natural resources and products, provided local production capacities and the business environment are enhanced in order to make use of this opportunity.

1.3 Industry Background and Evolution in Namibia

In Namibia, production of natural precursor products as well as end-use products started to become significant over the past two decades. This was spurred on the one hand by an increasing interest in natural, active ingredients coming from foreign cosmetics manufacturers, and on the other hand by the consumers' demand for products that resemble their skin tones, match their skincare requirements and are affordable. More recently, local entrepreneurs have ventured into the cosmetics industry targeting foreign visitors and (still at inception level) foreign retails and consumers abroad.

Cosmetics products made in Namibia are largely under-represented on the shelves of local retailers as the market is dominated by international cosmetic products. This is due to a certain extent to the tedious procurement processes, but also to the small quantities of products produced in Namibia, which limits the availability of the products, the limited shelf-life, the higher price of Namibian products as well as the lack of brand recognition for Namibian products.

Figures from the Ministry of Agriculture, Water and Forestry (MAWF) estimated that indigenous natural products contributed around NAD 100 million to the Namibian economy, however mainly in household consumption and informal trade. The MAWF further indicated that the industry had the potential to grow to NAD 400 million a year in the medium-term (UNEP, 2012, Green Economy Sectoral Study: BioTrade – A catalyst for transitioning to a green economy in Namibia)

1.4 Characterisation of Namibian Producers and Businesses

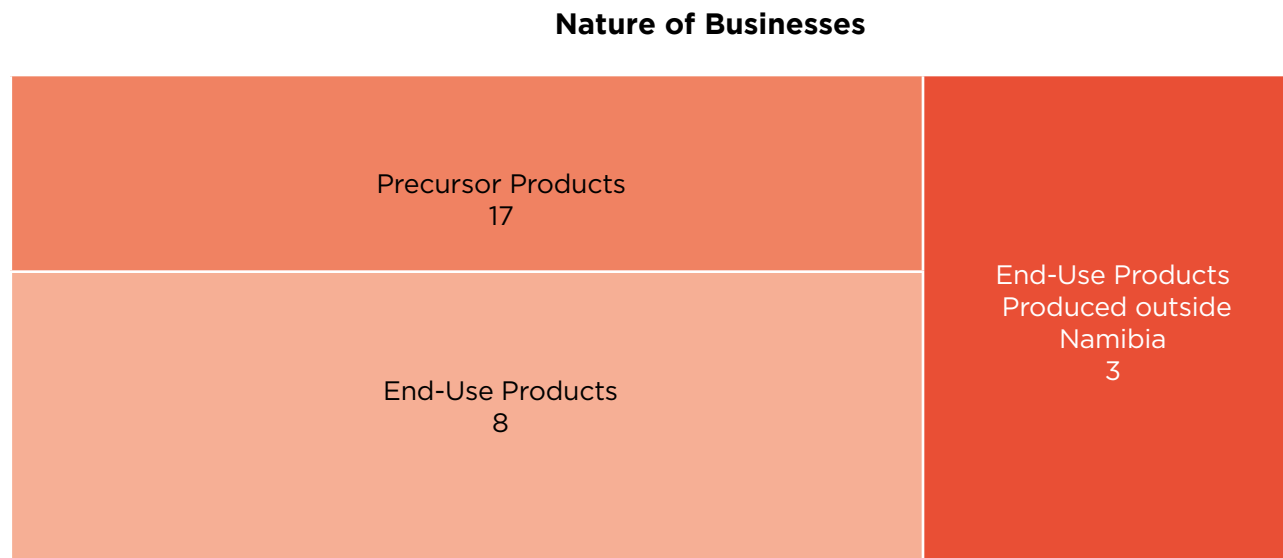


Figure 1: Nature of Namibian businesses
Source: Agra Ltd, 2015

25 Namibian companies engage in the manufacturing of cosmetics products or precursor products in the country, with the oldest business operating since 1992 and the newest created in 2015. 17 of these companies produce active ingredients, and 8 companies produce end-use products. Additionally, 3 Namibian companies use Na-

mibian natural ingredients in their products formulation but have their production line outside of the country.

It appears that each industry stakeholder has found his/her niche within they operate successfully, and the actors of the industry are keen to work together.

NAMIBIA'S
COSMETICS
INDUSTRY AND
ITS VALUE
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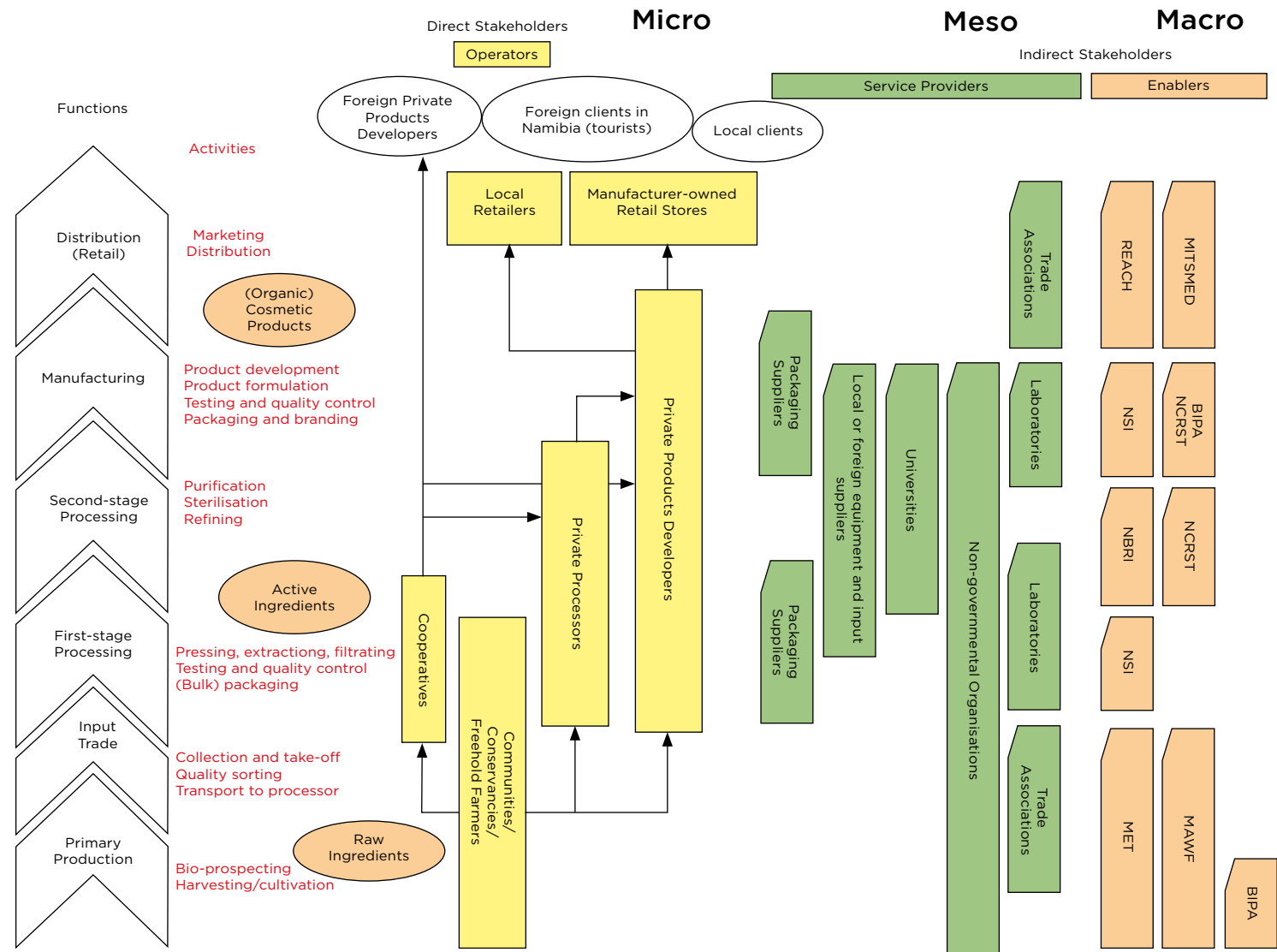


Figure 2: Value chain map cosmetics and active ingredients
Source: GIZ ProCOM, based on Agra Ltd, 2015

N.B: while products which are not exported do not per se have to meet export requirements (such as REACH), the stakeholders emphasise that even products for local use should comply with the international requirements, in order to guarantee the good quality of the products.

1.5 Classification of Namibian Products

Namibia's production of natural ingredients and end-use products includes the following products, each at different stage of development. It is worth mentioning that the list is not limited to the following, bio-prospection and product development will contribute to a diversification of the Namibian products.

1.5.1 Ingredients:

- !Nara seeds oil
- Devil's claw
- Marula oil
- Manketti (wild oak) oil
- Ximenia (wild plum) oil
- Commiphora or Namibian myrrh essential oil
- Mopane essential oil
- Baobab seeds oil and powder
- Kalahari melon seeds oil
- Sea salt
- Moringa oleifera powder
- Ochre
- Talc

1.5.2 End-use products for the human body:

Make up:

- Foundation
- Powders
- Make-up powders
- Lipstick, lip moisturiser

Hair products:

- Hair spray
- Conditioner and shampoo
- Oils, lotions, creams, gels

Skin products:

- Toilet & deodorant soaps
- Shower gel
- Salts

- Oils
- Body scrubs
- Sun lotions, oils, creams, gels
- After sun lotions, creams, gels
- Sun blocs

Face and neck products:

- Creams
- Oils
- Face mask
- Anti-aging products

Manicure/pedicure products:

- Hand creams
- Scrubs
- Creams

SPA products:

- Essential oils
- Massage and bath oils

Baby products:

- Soaps
- Powders
- Creams, lotions

1.5.3 Ambiance enhancers:

- Sprays

1.5.4 Products for domestic animals:

- Shampoo
- Massage gels/ointments



The industry has a substantial potential to generate employment and increase the participation of women in the economy, in particular in rural areas.

1.6 Local Industry Performance

The industry has a substantial potential to generate employment and increase the participation of women in the economy, in particular in rural areas. Harvesting marula nuts, manketti, etc. provide a supplementary income to roughly 6,000 people of the rural communities, most of them being women. However, most of the jobs created remain related to agricultural processes and not to basic processing/manufacturing of natural ingredients.

The total mass of crude Marula lipid oil produced is estimated at 30-35 tonnes per year, while the production of Manketti, Inara and Kalahari Melon Seed (KMS) lipid oil is much smaller and estimated to be below 10 tonnes per annum altogether, with the potential to upscale.

Namibia has a great variety of natural resources that can be used to produce natural ingredients or cosmetic products. The quality of intermediate natural ingredients meets the requirements of the current buyers, but could still be improved if access to better technology is available, and if the supply chain and the quality management are improved. Moreover, the production of the various lipid oils could be up-scaled if the demand was higher. All raw materials, intermediate active ingredients and selected end-use products produced in Namibia have the potential to be certified under various labels.

However, the limited production volumes, serving mainly international markets with crude lipid and essential oils, can make the intermediate products difficult to obtain for local producers engaged in product manufacturing. Furthermore, some resources are potentially vulnerable to unsustainable harvesting methods, or wild-harvests. The insufficient capitalisation of the industry currently keeps it at a mostly artisanal level; up-scaling is wanted but constricted due to limited financial resources among other things.

1.7 Global and Regional Demand for Products of the Industry

Statistics from UN Comtrade show that the main trade partner for essential oils (HS Product Code 3301) is France, while neighbouring Angola is the main trade partner for end-use products. However, Angola's imports of Namibian cosmetic products (HS Product Code 3304) have been declining since 2009 (see Figure 3).

Other cosmetic products (perfumes and toilet waters, hair preparations, oral and dental hygiene preparations, and personal toilet preparations, HS Product Codes respectively 3303, 3305, 3306, and 3307) are either not produced in Namibia (such as oral and dental hygiene preparations) or only marginally exported and are mostly targeting the local markets.

On the global level, one can observe the strong growth of the demand from emerging markets, fuelled by factors including growing middle class, urbanisation, demographics, and intense investment by multinationals.

Within the overall cosmetics sector, the natural and natural-inspired¹ product market segment is growing rapidly, with sales in 2014 of Euro 4.5 billion in Western Europe, Euro 4.1 billion in the US and Euro 10.3 billion in Asia.

The market is dominated by multinationals who own mass and premium brands. Despite the continuing dominance of these players, regional players from emerging markets such as Natura from Brazil or Shanghai Jhawa from China are moving rapidly up the global rankings. This has not resulted in an erosion of profit for the top players, meaning that all participants are benefiting from the overall global growth of the sector.

¹According to the American Natural Products Association, "natural products should contain only ingredients that come from a renewable/plentiful source found in nature – in other words, flora, fauna or mineral sources. Any synthetic ingredient must only be used in a natural personal care product when there is no viable natural alternative ingredient available and only when there are absolutely no suspected human health risks". On the opposite, products inspired by nature don't necessarily contain natural ingredients.

Main Importing Markets

Product HS Code: 3304 Beauty, Make-up & Skin-care Preparations; Sunscreens, Manicure or Pedicure

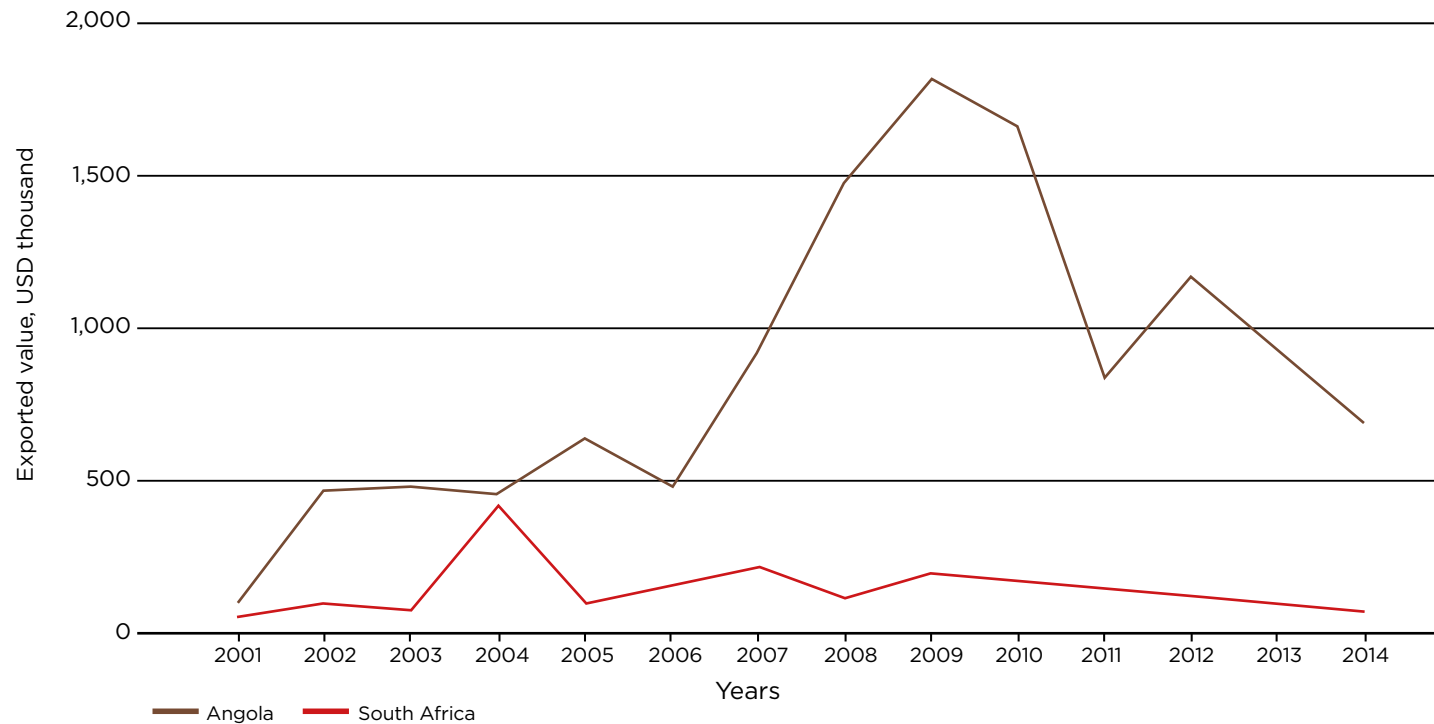


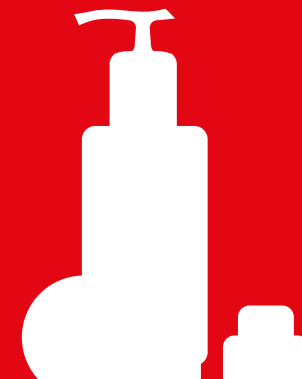
Figure 3: Importing markets for a product exported by Namibia
Source: Intracen, based on UN Comtrade statistics

Africa is considered the next frontier in the international cosmetics industry, as the continent's beauty and personal care market is expected to generate revenue worth US\$ 13.2 billion in 2017 and to double over the next decade, with a projected CAGR of 5-10% in the different product categories (skin and sun care products; hair care products; toiletries and deodorants; makeup/colour cosmetics; fragrances), as the demand for cosmetic products will increase in the region.

With a fast growing economy of Euro 1.5 trillion in 2012 and a population forecast of 1.2 billion by 2017, Africa and

especially Sub-Saharan Africa draws attention from all sector players. Africa includes seven out of the ten fastest growing economies in the world and the African market is expected to double over the next decade (Roland Berger, 2013). According to Euromonitor, RSA and Nigeria were the biggest personal care and beauty markets in the continent in 2012 (valued at US\$ 3.4 billion and US\$ 2.0 billion respectively). It is therefore expected that the demand for (natural) cosmetic products will continue growing, and Namibia could benefit from this increasing demand.

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2. IDENTIFIED OPPORTUNITIES FOR AND CONSTRAINTS TO INDUSTRY GROWTH



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The following chapter resumes the opportunities and constraints identified during the stakeholder consultation process. in the following areas of the value chain: sourcing, primary production and input supply; processing and manufacturing; marketing and trade; support services; and regulatory framework.

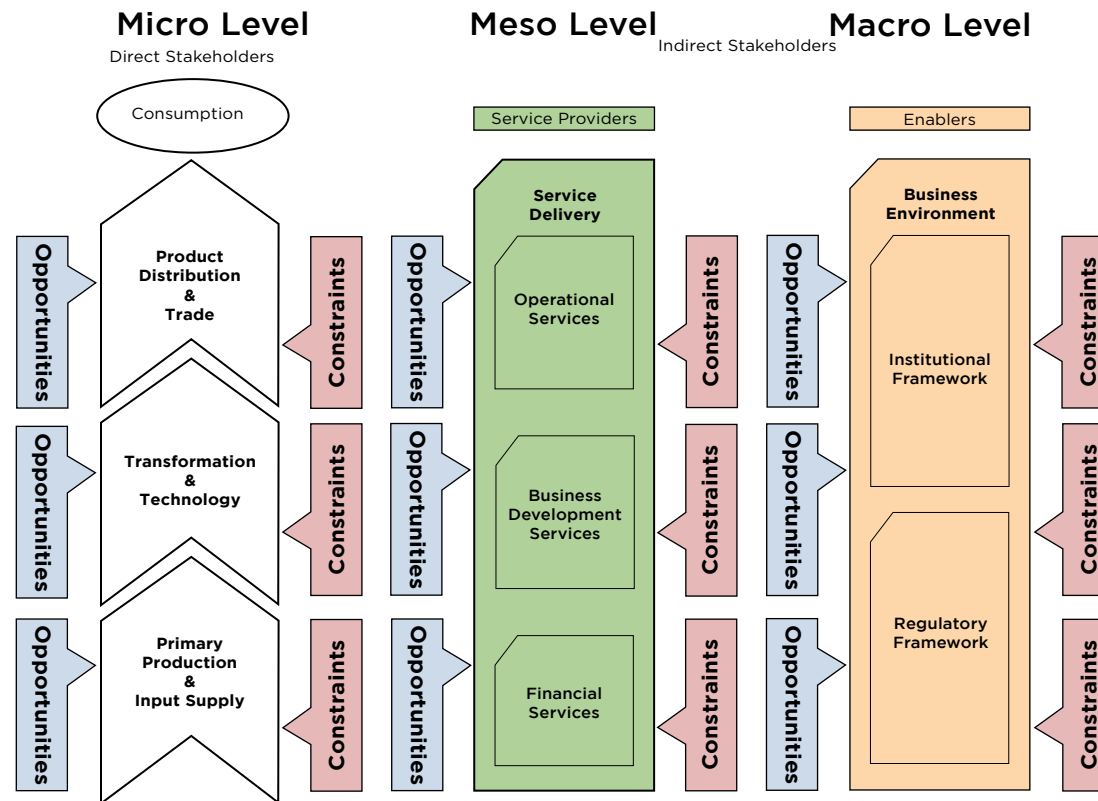


Figure 4: Analytical framework
Source: GIZ ProCOM

IDENTIFIED
OPPRORTUNITIES
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2.1 Primary Production and Input Supply

The focus is on essential inputs and supplies originating in Namibia, i.e. natural resources which form the basis for active ingredients and precursor products. All natural resources from which the active ingredients are yielded have their origin in local communities. The production of intermediate products is mainly based on fruits nuts/ seeds, resin, or bark collected or harvested from wild, indigenous or even endemic plants. In the case where mineral products are used, these are mined with the required licenses, such as sea salt, lime, and/or clay. Resources are spread all across Namibia and all political regions can offer at least one resource, allowing for an **even development** across the country and providing **opportunities for rural development**, in particular in the community forests and conservancies.

Namibia presents a large variety of natural ingredients (Namibia has over 4 300 plant species, of which nearly 700 are endemic), and the availability of the resources as well as the best suitable harvesting methods need to be assessed in order to prevent over-exploitation and ensure a **sustainable use of the resources**. The stakeholders provided estimated quantities of natural plant resources collected or harvested each year during the consultation process. Based on these figures and further research, there is a need to develop sustainable management strategies for the different natural resources in order to determine sustainable off-takes.

Last but not least, **further investigation** is needed to determine potential additional uses of such resources and identify untapped opportunities.

2.2 Transformation and Technology

Visits to companies revealed that primary processing is done in a semi-mechanised, yet artisanal manner. In all cases, there is reliance on skilled and semi-skilled labour. Stakeholders mentioned that it is **difficult to find appropriate skilled labour**.

The processing technologies currently in use **lack innovation**, but according to the stakeholders they are sufficient to produce products of specifications as required by their respective markets. However, some stakeholders commented that with improved technology they would be enabled to improve production efficiency, as well as ensuring a constant quality of the products they deliver to the markets, provided the quality of the raw materials is constant as well.

The processing and production centres are concentrated in certain towns which include: Opuwo, Ondangwa, Otjiwarongo, Rundu, Swakopmund, and Windhoek. This concentration allows targeting only certain specific areas for interventions related to manufacturing of end-use products, which makes it easier to support the industry.

Furthermore, a small minority of Namibian manufacturers is already **producing according to export market(s) requirements** and can drive the future development of the Namibian cosmetic industry, i.e. via sharing their experience with other businesses in the sector.

2.3 Product Distribution and Trade

The production of active ingredients in Namibia is export oriented, as only a small share of Namibian ingredients is further processed in the country onto Namibian cosmetic products. Accessing foreign markets requires complying with the buyer requirements, as well as regulatory and quality requirements. These requirements can vary significantly from market to market. Additionally, regulatory, commercial, and non-technical barriers may hamper market penetration despite growing demand.

Eco-certification is a necessary step to access profitable and high-end markets for indigenous natural products. However, active ingredients and cosmetic producers face challenges accessing international markets as well due to a lack of capacity to prepare product dossiers required to penetrate international markets and difficulties to **meet requested standards and regulations**. This is worsened by the **little knowledge** producers have on legal and market compliance processes (e.g. REACH, EITI) and the **not fully optimised export permit system**, which causes delays. Making use of US, EU or other regional export promotion programmes could represent an option to enter foreign markets.

That being said, Namibian players can compete in the short to medium term on the market for cosmetic ingredients, which is more accessible than that for finished products. This is due to less stringent regulations as well as the uniqueness of some proposed active ingredients. Furthermore, the products come with strong marketing stories, involving traditional use, social inclusion and environmental sustainability. The end-use products market should also be considered, but in terms of niche products. Indeed, considerable resources are required to launch a new brand on the international market. Within Southern Africa, Namibia should focus on the opportunities offered by proximity to Angola, with its large and expanding market, and also South Africa.

When it comes to local marketing and trade, the **limited national market size**, combined with the **limited buying power** as well as the **limited access to shelf space in major retail outlets** are strong constraints for the further development of the industry. Indeed, it limits the outreach of locally produced cosmetic end-use products in the local market. Upon a small survey of retail shops in Windhoek carried out, the space allocated to Namibian cosmetic products based on natural, active ingredients is tiny (roughly 6m² total shelf space) if compared to the space allocated to imported cosmetic products (roughly 100m² floor space accommodating roughly 250m² shelf space). In foreign owned retail outlets, Namibian cosmetic products are not at all or very rarely stocked, due to te-

dious procurement processes, but also a short shelf-life and stability of Namibian products. The newly launched **Retail Charter** may alleviate shelf space in an affirmative manner. Furthermore, local beauty shops and salons may provide **additional opportunities for local market penetration**, provided potential consumers are educated and their awareness for natural, Namibian products is raised. These distribution channels are less formal than major retail outlets and their access is therefore easier.

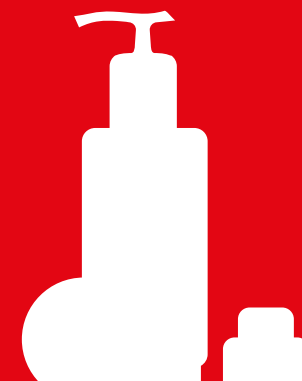
Hotels and lodges, as well as public institutions, could also be induced to make use, and hence promote, Namibian cosmetic products (both natural ingredients, i.e. essential oils used at lodges' SPA facilities, and end-use products, i.e. soap and similar in rooms and ablution facilities).

Additionally, the lack of market intelligence results in the absence of crucial baseline data to monitor and evaluate the penetration of Namibian cosmetics into the local market, as well as in challenges to identify market opportunities locally, regionally and internationally.

2.4 Service Delivery

The support service landscape for the cosmetic industry in Namibia is fragmented and incomplete. The most common services required by the industry are testing and quality assurance services for ingredients and formulated products. Only two laboratories in Namibia are used by the cosmetics producers. Stakeholders are concerned about the relatively high costs associated with routine batch testing and most importantly the specific analyses which are sometimes required and need to be done in South Africa or elsewhere. There is a lack of affordable **facilities in Southern Africa** which offer the required services, targeting the cosmetics industry, e.g. input products purification, sterilisation, and refinement. Additionally, the businesses engaged in the cosmetic industry require stronger classical **business development services** (accounting, marketing, etc.) in order to foster and accompany the growth of their businesses.

Namibian players can compete in the short to medium term on the market for cosmetic ingredients, which is more accessible than that for finished products.



The businesses engaged in the cosmetic industry require stronger classical **business development services** (accounting, marketing, etc.) in order to foster and accompany the growth of their businesses.

On the other hand, a critical **lack of technical capacity in Research & Product Development, as well as contract manufacturing** impedes the further product development, resulting in the Namibian producers having difficulties improving existing products and only covering a very little range of products out of the variety of cosmetic products.

The lack of technical capacity is due to lack of facilities but also to a **lack of crucial skills nationally**. There is an urgent need to develop cross-sector training & curricula to improve tertiary and vocational education and serve the skills needed by the industry. Moreover, retaining the skilled personal is crucial.

2.5 Business Environment

Several ministries have a say when it comes the cosmetic industry. The Ministry of Agriculture, Water and Forestry, the Ministry of Environment and Tourism as well as the Ministry of Industrialisation, Trade and SME Development, carry out work and programmes that possibly impact the development of the Namibian cosmetic industry. The non-optimised **inter and intra ministerial communication on sector issues** may annihilate the efforts of a certain ministry. Most important, the issues impacting the cosmetic industry can't be solved by a single ministry and require the joint efforts of all government institutions. The Indigenous Plant Task Team (IPTT), a government-mandated, multi-stakeholder forum for the indigenous plants products industry in Namibia, is an attempt to address these issues.

Additionally, the **lack of coordination** between actions and programmes led by donor organisations, and those led by the government, results in inefficient allocation of

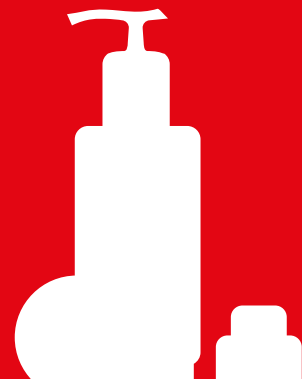
financial and technical resources. The lack of coordination is also an issue across the sector, with **no industry representative body** which could assist stakeholders with lobbying for the industry or do generic marketing campaigns.

Finally, two developments of the regulatory framework will have an impact on the delivery of supply. Namibia through its Ministry of Environment and Tourism is in the process of finalising its **Access and benefit sharing (ABS) legislation**.

When fully in place, the new ABS legislation may **improve monetary benefits return** to the communities who supply natural resource inputs or share their traditional knowledge to the processing facilities and/or R&D facilities. However, only a small group of technical experts is fully aware of the concept of ABS and its implications. On the other hand, additional requirements and compliances emanating from the ABS legislation and regulations, as well as limited capacity at all levels to ensure a smooth implementation of the concept, **may hamper foreign investments and interests and smooth redistribution of benefits for the communities** at the bottom of the value chain. Furthermore, BioTrade provides instrumental opportunities for preserving biodiversity through regulation and sustainable market principles.

Harmonising BioTrade related policies could serve to grow Namibia's biotrade sectors and support the transition to a greener economy.

3. INDUSTRY GROWTH STRATEGY



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3.1 Vision of Industry Stakeholders

"By 2020, an inclusive, diversified, profitable and vibrant cosmetic sector is developed in Namibia."

3.2 Industry Growth Indicators and Targets

- Overall increase in the number of employees in the industry by 2020
(Target 2020: supply + 5,000, manufacturing + 50, services + 50)
- Overall increase of national sales values and export values of Namibian precursor products and Namibian end-use products by 2020
- Overall increase in the number of manufacturing companies involved in the cosmetic sector by 2020
(Base 2015: 20; Target 2020: 30)

3.3 Strategic Objectives, Indicators and Proposed Interventions

The stakeholders identified 4 core intervention areas as follows:

Intervention Area 1:
Sustainable
Development of
Namibian Natural
Resources for the
Cosmetics Industry

Intervention Area 2:
Increased Access to
Local Market and
Export Opportunities

Intervention Area 3:
Technical Support,
Services and Capacity
Development to
Enhance Production

Intervention Area 4:
Sector Governance to
Foster Exchange and
Cooperation Among
Industry Stakeholders

Intervention Area 1: Sustainable Development of Namibian Natural Resources for the Cosmetics Industry

Strategic Objective 1:

"Promote sustainable and inclusive and ethical local sourcing practices for a growing number of intermediate and end-use products."

Indicators and Targets:

- Increase the number of local community members and rural producer groups applying sustainable natural resources management practices
(Base 2015: TBD; Target 2020: +20%)
- Increase the number of local producers of intermediate and end-products that are making use of sustainably sourced local inputs
(Base 2015: 20, to be confirmed; Target 2020: +10)
- New natural ingredients are used in the cosmetics industry by 2020
(Base 2015: 16, to be confirmed; Target 2020: 21)
- The percentage of cost sales returning to communities providing the natural resources as input materials has increased by 10% by 2020
(Base 2015: N/A; Target 2020: +10%)

Proposed interventions:

Natural resource assessment and monitoring

Assessment to evaluate sustainability of current natural resource use related to key ingredients for production of active ingredients and end-products when needed. This assessment could lead to the establishment of propagation services for targeted species as well as the implementation of market-oriented plant breeding initiatives. The natural resource assessment also serves identifying potential new natural resources for the manufacturing of cosmetics and their active ingredients.

Key activities:

- Sustainable natural resources management
- GIS enabled assessment
- Feasibility study for propagation services and nursery
- Financial allocations for possible propagation/cultivation
- Financial allocations for possible nursery

Partners:

- NBRI, UNAM, NUST, MAWF, MET, private nurseries and NGOs





Training and skills development

Provision of training and mentoring at grass roots level to ensure resource sustainability and quality of production for inputs into the value chain. The trainings should focus on sustainable harvesting methods.

Key activities:

- Develop learning contents and materials
- Conduct trainings and awareness campaigns
- Monitor progress and impact

Partners:

- Communities, constituencies and cooperatives; Traditional authorities and regional councils; MET, MAWF; Interested donors; Media, NGO service providers

Intervention Area 2: Increased Access to Local Market and Export Opportunities

Strategic Objective 2:

“The positioning of Namibian active ingredients and end-use products on local and targeted foreign markets is improved through joint initiatives regarding product quality management, market intelligence and sales promotion.”

Indicators and Targets:

- The number of national retailers accessed by Namibian cosmetics precursor and end-product producers has increased by 2020
(Base 2015: 5; Target 2020: 10)
- The number of foreign wholesalers and retailers buying/stocking Namibian cosmetics end-use products or precursor products has increased by 2020
(Base 2015: 0; Target 2020: 5)
- Number of additional foreign markets being accessed by Namibian cosmetic end-product and precursor products producers
(Base 2015: TBD; Target 2020: +5)

Proposed Interventions:

Trade and business regulations and procedures

- A series of trade and business regulations and procedures needs to be changed or introduced in order to facilitate trade:
- Establish trade protocols for key active ingredients
- streamline export processes
- establish national standards and certification system
- harmonise BioTrade legislation and associated legislations

Key Activities:

- Use PPD platform to engage discussions with key partners and solve bottlenecks.

Partners:

- MET, MITSMED, MAWF, MoF, NSI, NACI

Retail Charter

Utilise the newly launched Retail Charter to leverage access to shelf-space in retail chains.

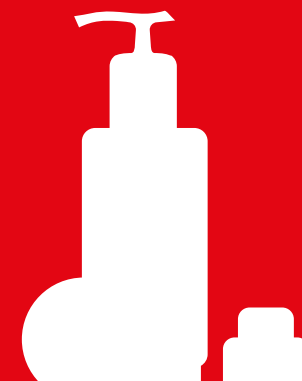
Key Activities:

- Monitor the implementation of the Retail Charter, with regards to cosmetic products
- Engage in lobby activities with retailers

Partners:

- NTF, MITSMED, NACI

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Facilitate the implementation of a regional/EU/US export programme

Export facilitation programmes, such as the CBI's Export Coaching programme, are a great opportunity for Namibian cosmetic products to enter new markets.

Key Activities:

- Create database of all export facilitation programmes
- Identify products which are export-ready and marketable
- Engage with export facilitation programmes

Partners:

- MITSMED, NACI, export facilitation programmes, ITC

Market intelligence

Conduct a comprehensive national cosmetics market survey (establishment of baseline values (sales volumes and prices, shares of national products in global sales), identification of (local) market opportunities and maintain a data base informing about the industry development (e.g. market penetration of Namibian products), as detailed as trade confidentiality allows.

Key Activities:

- Develop ToR for market survey
- Tender for market survey
- Conduct market surveys every 2 years

Partners:

- MITSMED, NSA, NACI

Intervention Area 3: Technical Support, Services and Capacity Development to Enhance Production

Strategic Objective 3:

“Facilitate the access of industry stakeholders to demand-based business development services required for successful product development and product quality management.”

Indicators and Targets:

- Number of prioritised technical support service demands of industry stakeholders effectively addressed (Base 2015: 2; Target 2017: 7)
- Percentage of companies that make use of additional services and confirm impact of services on product innovation and quality management (Base 2015: 0%; Target 2017: 70%)

Proposed Intervention:

Implementation of a cosmetics hub

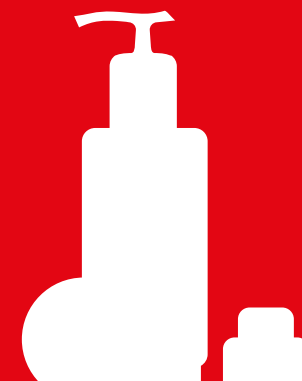
The proposed cosmetics hub is either an actual central hub or a disaggregated virtual hub offering following services:

- Institute analysis and testing facilities with recognised credentials in the local and international industry
- Coordinate research and development and knowledge management
- Increase capacities to generate product dossiers and generate knowledge on products
- Build capacities in cosmetics products formulation at all stages of the value chain through trainings and the development of a sector-specific curriculum
- Promote process and product innovation
- Ensure availability of sector specific Business Development Services
- Contract manufacturing capacities
- Value-added services (microfiltration, sterilisation and refinement)

Key Activities:

- Write Terms of Reference
- Feasibility Study & Implementation Planning
- Skills Audit
- Establish network of players

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- Establish linkages to training institutions and authorities
- Implementation commences

Partners:

- UNAM, NUST, NTA/NQA, GIZ, private analytical labs, NBRI, MITSMED, FABLAB, MAWF, MET, consultants, NGO service providers

Intervention Area 4: Sector Governance to Foster Exchange and Cooperation Among Industry Stakeholders

Strategic Objective 4:

“Foster the development of the cosmetics industry by means of effective coordination and cooperation among value chain stakeholders.”

Indicators and Targets:

- Percentage of value chain stakeholders who confirm that exchange and cooperation have considerably improved. (Base 2016: 0; Target 2020: 60%)
- Number of industry growth interventions successfully implemented under the organized leadership of the industry. (Base 2016: 0; Target 2020: 2)

Proposed Interventions:

Namibia Association of Cosmetics Industry (NACI)

Establish the association of cosmetics for key players from the private sector. The association of cosmetics should be in charge of implementing generic marketing campaigns to promote Namibian precursor products and Namibian end-use products, of implementing consumer education campaigns on natural products and end-use products, as well as advocating sectoral needs. Expected outcome: shared marketing campaigns, increased awareness of Namibian population, and the sector is better organised and recognised.

Key Activities:

- Stakeholders confirm their willingness to create and be active members of NACI
- Terms of reference for NACI
- NACI institutional framework is set

Partners:

- MITSMED, stakeholders

Public-Private Dialogues

A public-private dialogue platform is established in partnership with NTF. The public-private dialogue fosters inter-ministerial communication, among public institutions, civil society and private actors. It is expected that public-private dialogues will enhance coordination between government institutions and donors, as well as allow the private sector to suggest regulatory changes to government.

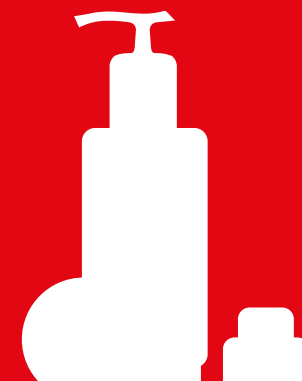
Key Activities:

- MoU between NTF and NACI/Steering committee
- Conduct 2 PPDs per annum

Partners:

- MITSMED, MAWF, MET, NTF, NACI

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NOTES

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