



## Partnership Ready Namibia: Cosmetics

### Background

With the “Growth at Home” strategy, the Namibian government wants to develop and manage Namibia’s economic regulatory framework, promote economic growth and development through the formulation and implementation of appropriate policies with the view to attract investment, increase trade as well as develop and expand the industrial base in the country. The Industry Growth Programme of the Namibian state contributes to this. Within the framework of this programme, industry growth strategies have been defined, including for the cosmetics industry.

German Development Cooperation is also involved in the cosmetics sector together with the Namibian Ministry of Industrialisation and Trade (MIT).

Through the project “Promotion of Business Advisory and Economic Transformation Services (ProBATS)”, Namibian companies from various sectors are supported in opening up new markets with innovative products, increasing sales of their products and exploiting their growth potential. In 2019, exports of cosmetic products increased by 38% year-on-year and companies from the sector participated in international trade fairs, sales exhibitions and conferences.

[www.giz.de/en/worldwide/81369.html](http://www.giz.de/en/worldwide/81369.html)



In the same period, the total value of exported cosmetic products, i.e. beauty and health care products was estimated at NAD100 million. The latter included the export of raw materials, ingredients and end products.

#### → RAW MATERIALS, INGREDIENTS AND COSMETICS APPLICATIONS

Namibia has a biodiverse natural resources base from which cosmetics, i.e. health and beauty products, can be made from. Some of the resources are already of economic value and attract foreign interest. Economic value in this context means volumes of production are large enough to warrant exports, either to the European Union (EU) markets and/or e.g. South Africa. The INCI (International Nomenclature of Cosmetic Ingredients) names indicate that these resources have already found their way into the cosmetics industry.

#### → END PRODUCTS

In Namibia, a number of cosmetic end products are being manufactured from the resources available in the country. Equally, several inputs have to be sourced from elsewhere. Mostly, such inputs are sourced from South Africa. However, it may be that South African suppliers source them from the EU due to economies of scale. Typical inputs sourced from elsewhere are:

### Sourcing Base and Value Chains

The total value of cosmetic products, from ingredients to end products, enter the formal trade channels, imported into Namibia was Namibia Dollar (NAD) 340 million in 2018. The imports are based on all categories of personal, animal and household/ industrial care products. Household and industrial care includes ambience enhancers and cleaning materials of all sorts. Personal care includes products of the categories body care and hygiene products, toiletries and make-up.



- Shea Butter
- Bees Wax
- Lipid oils not available in Namibia in sufficient quantities, such as olive oil, castor oil, grape seed oil, and others
- Essentials oils, such as Lavender, Rose Geranium, Bergamot, Citrus-type fragrances and many others; and
- Stabilisers, Emulsifiers and Preservatives.

The registered Namibian health and beauty products manufacturers have a wide selection of products to choose from. The focus of the Namibian production is mainly on soap and hair care products such as shampoos, conditioners and treatments. Other end products from the sector include skin care products (creams, lotions), treatment oils, toiletries, perfumes, ambience enhancers and decorative cosmetics or make-up.

Under the health end products segment, Namibia produces tea, powders and capsules. All these are over the counter supplements without pharmaceutical registration restrictions.

Not all end products manufactured in Namibia to date are currently shelf and/or export ready. Nevertheless, several health and beauty products can be found in well-known local retail outlets. While regulations to sell health and beauty consumables are arguably not as strict in Namibia as in the EU, especially small and medium-size enterprises (SMEs) struggle to comply with them. The general trade rules remain: A product must provably not be toxic.

## Regulatory Guidelines in the Cosmetics Sector

### → CONSERVATION OF BIODIVERSITY AND PROTECTION OF TRADITIONAL/INDIGENOUS KNOWLEDGE

The conditions for access and equitable use of genetic and biological resources and related traditional knowledge (Access and Benefit Sharing, ABS) apply to Namibian cosmetic raw materials and ingredients intended for use in an end product in Namibia or for processing abroad. In this respect, processing also includes the non-consuming use of the resource, such as taste and scent assessment by steam space analysis. To implement the international agreements of the Nagoya Protocol on Access to Genetic Resources and Fair and Equitable Sharing of Benefits, Namibia adopted an ABS Act in 2017, the "Access to Biological and Genetic

Resources and Associated Traditional Knowledge Act, Act 2 of 2017" (ABS Act). The implementing regulations necessary for the application and operationalisation of the ABS Act are currently being developed and their publication in the Namibian Official Gazette is planned for early 2021.

Under the ABS Act, any person trading or wishing to study genetic resources (flora & fauna) from Namibia requires an explicit prior consent (PIC = Prior and Informed Consent) from the respective local community to which the resource is to be assigned. For the commercial export of genetic and biological resources, Mutually Agreed Terms (MAT) are required before the license for the export of the resource is applied for, regardless of the level of value added. Bioprospecting also includes research and development. Therefore, any organization wishing to do so requires an additional research license issued by the National Commission on Research, Science and Technology (NCRST).

As the ABS Act is not yet fully regulated and implemented, applications are currently being processed by the Interim Bioprospecting Committee (IBPC). In case of a positive decision by the IBPC, the Ministry of Environment, Forestry and Tourism (MEFT) will issue a compliance letter. The IBPC also includes the MIT, which represents the interests of companies. As part of the publication of the ABS implementing regulations, which is planned for the near future, it is planned to replace the IBPC with the ABS Office provided for by law and to anchor corresponding capacities in the MEFT for implementation, especially in order to further improve ABS-relevant processes and thereby ensure legal certainty for both users and providers of genetic and biological resources.

### → EXPORTS FROM NAMIBIA

To date, most of the resources, i.e. cosmetics, leave Namibia with a limited amount of value addition. The greatest part of the resources are exported from Namibia in a semi-processed stage as raw and/or crude lipid oils. By value and quantity, the latter makes the greatest part of the cosmetics industry at an estimated value of more than NAD100 million per annum. The main health and beauty raw material exports from Namibia into the EU, mentioned in order of importance, are:

- Devil's Claw root, sliced and dried
- Marula Lipid Oils, crude or filtered or refined
- Moringa Leaves, dried
- Black Carrot, sliced and dried
- Ximenia Lipid Oils, crude or filtered
- Kalahari Melon Seed Oil, filtered or refined
- Mongongo Lipid Oil, filtered or refined



For example, Devil's Claw root is almost exclusively exported to the EU, with the main recipient country being France.

Since December 2019, the Namibian government announced an Export Levy on any raw materials leaving the country, irrespective of their destination market, as per Export Levy Act, Act 2 of 2016 as amended on 20 December 2019 (Government Gazette No.7080, 2019). The Export Levy Act was published in view of the Southern African Development Community (SADC) EU Economic Partnership Agreement (EPA) being ratified. This is a concession the EU granted five of the SADC EPA member states to ensure that deeper value chain development can take place in countries like Namibia.

All exports destined for the EU market must be accompanied by a Rules of Origin (RoO) Certificate, issued by Customs and Excise (Ministry of Finance), and any other permits linked to the export of a natural resource, especially when protected. For instance, Hoodia is protected under Convention on International Trade in Endangered Species of Fauna and Flora (CITES) and thus exports of its ingredients and end products must be accompanied by a CITES compliant permit issued by MEFT. The process to obtain certificates of RoO and customs or export related documentation are rather straightforward. To obtain documentation related to ABS compliance is a condition precedent to obtaining export

authorisation. As mentioned before, this is perceived by exporters to be tedious and has in the past led to EU orders being cancelled.

## → IMPORTS INTO THE EUROPEAN UNION

The SADC EU EPA allows for duty free, quota free imports. However, as cosmetics in their most basic physical analyses are chemicals, other legislative provisions need to be satisfied to allow for their imports into the EU territory. For all chemicals, or their raw materials below an annual import amount of one tonne per annum, these are exempted from some of the provisions of the Registration, Evaluation and Authorisation of Chemicals (REACH) Legislation (Regulation (EC) No. 1907/2006 ([https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006R1907R\(03\)&qid=1605530509325&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006R1907R(03)&qid=1605530509325&from=EN))). Natural raw materials, like lipid oils, are exempted from this arrangement; however, essential oils are not exempted.

EU Cosmetics Regulation (EC) No. 1223/2009 (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R1223&qid=1605530658817&from=EN>) bans over 1,300 chemicals in health and beauty products, irrespective of quantity or whether they are raw materials, ingredients or end products for product safety and ingredient assessments reasons. The reasons are based on:





- Prohibited substances because of toxicity
- Restricted substances that can only be used under specified circumstances
- Substances approved for use in cosmetics like colourants, preservatives and UV filters

Some cosmetic products are given special attention from regulators due to their scientific complexity or higher potential risk to consumer health.

Categorically, ingredients and/or products that are tested on animals are banned due to the prohibition on animal testing in the EU itself.

### → IMPORTS INTO NAMIBIA

There are no explicit import restrictions applied to products categorised as cosmetics in Namibia according to the Namibian Government Notice 123 of 1994. Traders must comply with the Namibian labelling and metrology regulations. This means that any product not displaying the directions for use and content of the product in English must additionally add such to any product to be sold in the Namibian territory.

In trade terms, cosmetic products are defined within the harmonised system on customs and excise codes (HS Codes). The HS code commencing with “33” is designated for cosmetic products related to “Oils and Resinoids, Perfumery, Cosmetic or Toilet Preparations”. This 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). South African cosmetic products make up approximately 90% of the market share in Namibia, both for natural/organic and conventional cosmetic products. Namibian cosmetics producers in general struggle to put their products on Namibian retail shelves due to the following reasons:

- Fast-Moving Consumer Goods’ retailers are themselves in majority South African owned or franchises from South Africa. They prefer to source products from South Africa as the suppliers are already known to them.
- Retailers require cosmetic products that are produced at a facility that is inspected by the Government authorities, like the Namibia Medical Registration Council (NMRC) or pass a fitness certificate issued by municipalities.

- South African owned retailers often also wish to have proof that cosmetic products have been manufactured under the internationally accepted Good Manufacturing Practice (GMP) standards, for which there is no inspection body in Namibia. The cost to produce at such a facility is high and not feasible for many Namibian cosmetics producers at the moment.
- As retailers wish to offer products on an equal basis throughout the country for the same retail chain, product quantities and logistics channels pose a challenge to many Namibian cosmetics manufacturers.
- Many manufacturers report that some supermarkets are interested in stocking Namibian products, but the process of being listed as a vendor on their system is difficult. Therefore, manufacturers are recommended to get a distribution company that is already listed as a vendor. However, Namibian cosmetics manufacturers have difficulty in finding a distribution company that will take on their products in the first instance already due to lack of economies of scale.

### → QUALITY ASSURANCE AND CERTIFICATIONS, STANDARDS, LABELLING

Very strict EU market access requirements for health and beauty products exist. The prime objective of these requirements is that products must be safe to use. No substance prohibited in the EU may be included; products should be free of allergens and any potential allergens must be listed on the packaging. Colourants and preservatives must equally be mentioned. For the EU market, any cosmetic product must be listed on the EU Cosmetic Products Notification Portal (CPNP – [https://ec.europa.eu/growth/sectors/cosmetics\\_en](https://ec.europa.eu/growth/sectors/cosmetics_en)), which means that the materials safety testing and clearance on the same by an EU accredited, independent cosmetics safety assessor was obtained. Only when the Materials Safety Data Sheet (MSDS) is issued by an EU accredited product safety assessor may a product be listed on the EU CPNP. The EU market access requirements for cosmetics result from the legislation as well as market-related by the buyers and include aspects in the areas of health and safety, quality, environment and a social dimension. Specific purchasers can additionally have special requirements that a supplier must meet.

Furthermore, an ingredient’s efficacy, based on its sourcing area and value addition process, must have been established and published in a dossier. Should a raw material supplier change the filtration process, for example, they would necessarily have to provide a new dossier on the product. The same holds true for an



end-product manufacturer – should they change the cosmetic’s formulation by varying, for example, the level of inclusion of an ingredient or substitute an ingredient, a new MSDS must be provided.

Quality assurance can be provided for to a limited extent in Namibia. For instance, it is sufficient for a producer to routinely test for pH and product stability and accompany the batch with such test results. However, any further quality assurance, like mould testing, allergens testing, etc. must be carried out in a reputable, EU accredited laboratory. Some five laboratories in Namibia provide routine quality tests; for EU market quality assurance tests, such tests must be conducted elsewhere. The Namibia Standards Institute (NSI) does not offer testing and quality assurance services for cosmetics in Namibia. Most of the time, Namibian health and beauty products’ suppliers have their material tested in South Africa. Alternative laboratories from France, Italy and Germany are often used.

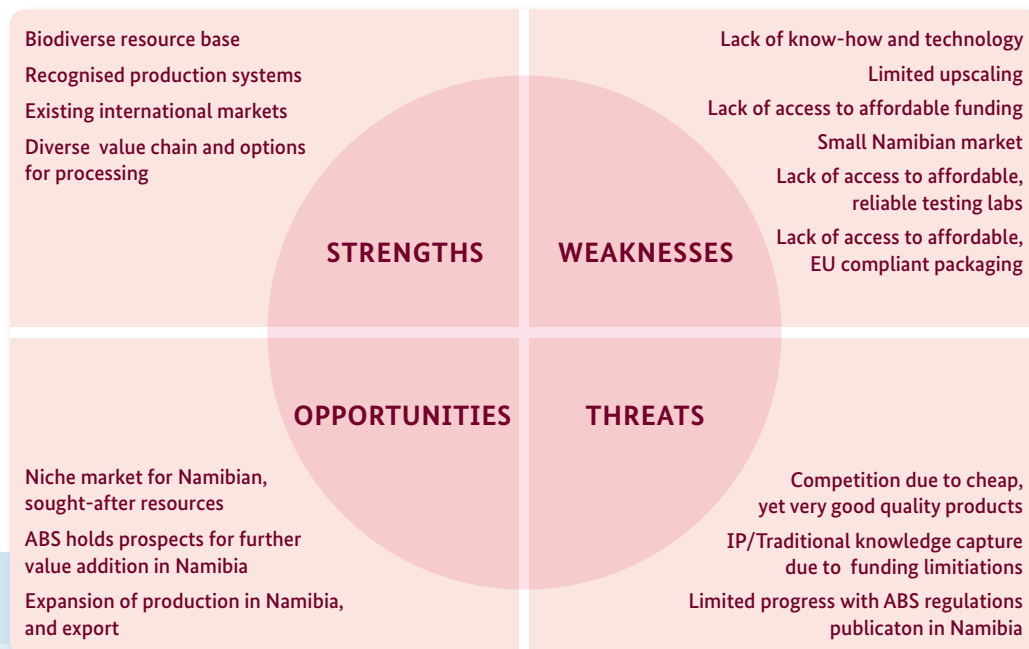
No certifications on cosmetic products compliant to EU Cosmetics Standard can be offered in Namibia. South African and/or EU based service providers are being used for such. The EU Cosmetics

Standard is probably the highest cosmetics standard to comply with internationally and is therefore aspired by a broad spectrum of Namibian health and beauty products suppliers.

The labelling of end products entering the EU market is equally guided by the EU Cosmetics Standard. Additionally, for products from third countries outside the EU, the responsible person (RP) in the EU must be mentioned on the packaging. The RP is the contact person having to deal with any product enquiries. For products also complying to natural/organic labels, this may be displayed on the front of the container, or at the back. The validity of the certification must be provided as well.

## Value Chain Potential and Challenges

The potential and challenges in the Namibian cosmetics industry can best be exemplified by a SWOT analysis:





## Stakeholders in the Cosmetics Sector

### → NAMIBIAN STAKEHOLDERS

The Namibian stakeholders can be categorised into private sector, public sector, incl. regulatory bodies and non-state actors like community-based organisations and NGOs. These stakeholders are either directly involved in the cosmetics production system or render services to the direct stakeholders. Since the publication of the Industry Growth Strategy, the stakeholder map has remained stable.

In total, it is estimated that more than 150 companies exist in the Namibian cosmetics, i.e. health and beauty sector. Already some 40 spas/wellness, hair and beauty salons are registered to operate from Windhoek. Even more also operate from other Namibian towns. The sector also accounts for at least two large scale manufacturers and wholesalers of toiletries and cleaning materials. One large scale cosmetics contract manufacturer operates from Otjiwarongo. There are also representations of international brands in Namibia. They sell products on a wholesale and agent basis in the market.

According to the Business and Intellectual Property Authority (BIPA) database, more than 100 companies fall into the above category and are spread across the country with a concentration in Windhoek and at the coastal towns of Swakopmund and Walvis Bay. Pharmacies also often offer the before mentioned services and accessories and were not counted as part of the companies listed on the BIPA database.

To further the interests of the cosmetics industry in Namibia at large, the Network of the Namibian Cosmetics industry – NANCi – was formed in 2017. NANCi by the end of 2020 counted some 40 members, with growing membership numbers. NANCi mainly has members concerned with the harvesting or collection of raw materials, raw materials processors or ingredients manufacturers as well as micro, small and medium enterprises end products manufacturers. Nevertheless, the cosmetics industry in Namibia is much larger and also concerns service providers in the cosmetics industry, like

- wellness centres, spas and hair/nail/beauty salons
- cosmetics accessories (e.g., false hair, nails, eyebrows, etc.)
- large scale producers of hygiene products and ambience enhancers; and
- tools and equipment providers (scissors, depilation equipment, etc.)

It is estimated that over 6,000 people, mainly women, are linked to the primary production processes in Namibia. This includes cultivation, collection, raw materials quality assurance and first stage processing of the input materials. The first-stage processing factories are spread over Namibia, from north to south, and east to west. Such factories are mostly located close to the raw materials base.

Second-stage processing such as improved filtration of lipid oils or extraction are either done at the coast and in Windhoek, or even outsourced to South Africa and selective partners in Europe, for example. In Namibia, about 100 people are estimated to be employed in second-stage processing.

End product manufacturing by volume and value is often outsourced to contract manufacturers located in South Africa, especially for the health products. Beauty end products manufacturing is accomplished by external contract manufacturing in Namibia and South Africa, local manufacturing at industrial scale, and artisanal production processes. There is considerable scope for diversified manufacturing and processing of cosmetics.

### → EUROPEAN STAKEHOLDERS

The European stakeholders in the cosmetics industry follow the market channels available for certain raw materials (incl. e.g. crude lipid oils), ingredients and end products, and level of distribution in Europe. For Namibian health and beauty products, France, Germany and Italy are the main markets for raw materials and ingredients. German speaking Europe (incl. Switzerland) and the UK serve as the main markets for Namibian cosmetic end products, where importers/responsible persons are available. An RP can operate across the EU, including the United Kingdom until further notice.

Cosmetic end products “Made in Namibia” are primarily sold via online channels in Europe. Namibian ingredients find their way into cosmetic products in Europe and are sold in well-known retail outlets or used in organic brands.

Unless one is part of the inner circles of the cosmetics industry, access and distribution channels are not readily published due to the high costs involved from identifying a potential ingredient, establishing its safety and efficacy up to end product development and distribution. European cosmetics manufacturers prefer to use ingredients agents and brokers. Well-known agents or brokers for ingredients or semi-processed input materials are e.g., Aldivia and Michel Mane. This saves considerable costs for sourcing innovative and sustainable ingredients and tends to ease the way for ABS compliance.



## Business Opportunities for European Enterprises

From a Namibian perspective, the main opportunities for European enterprises lie in providing and enabling affordable services to the Namibian cosmetics industry in Namibia, like materials testing, product certification and organic labelling. Against the background of increased consumer demand for sustainably sourced health and beauty products, the development of Namibian Good Manufacturing Practice (GMP) and Good Agriculture and Collection Practice (GACP) are essential. GACP is a prerequisite for any organic/natural resource to be used for its pharmaceutical efficacy.

EU compliant packaging material is difficult to source in Namibia, especially because of very small numbers required at a time. Ways and means thus need to be exchanged on how to serve Namibian manufacturers in this regard. The latter business opportunity can be expanded to other SADC states where similar bottlenecks exist. South African suppliers do offer such packaging, but often the question remains: Is it possibly cheaper to package in South Africa, or directly in Europe?

The provision of dossiers on ingredients and end products remains a challenge especially for community-based organisations holding a promising resource and first stage processors in Namibia. Partnerships with European enterprises to this has worked rather well in the past, under the provision that the dossier and its intellectual property should remain with Namibian stakeholders or at least be ABS compliant.

From a European perspective, Namibia's biodiverse resource base and large quantities of selective ingredients attract high interest. These pertain to e.g., Devil's Claw and Black Carrot root and Moringa leaves as well as to Marula, Mongongo and Kalahari Melon Seed lipid oils. To sustain the resource base, European enterprises are encouraged to partner with the Namibian suppliers to expand the production as source, both related to cultivation and harvesting/collection. At the same time, the value chain can be deepened by investment into final ingredient production, like extracts, flavours, concentrates and the like.



### Sources and useful links:

- Indigenous Plant Task Team (IPTT)  
[www.nbri.org.na/sections/economic-botany/INP/IPTT](http://www.nbri.org.na/sections/economic-botany/INP/IPTT)
- Ministry of Environment, Forestry and Tourism  
[www.met.gov.na](http://www.met.gov.na)
- Ministry of Finance  
[www.mof.gov.na](http://www.mof.gov.na)
- Ministry of Industrialisation and Trade  
[www.mti.gov.na](http://www.mti.gov.na)
- Namibia Network of the Cosmetics Industry (NANCI)  
[www.nanci.biz](http://www.nanci.biz)
- National Botanical Research Institute (NBRI)  
[www.nbri.org.na](http://www.nbri.org.na)



## YOUR PARTNER FOR DEVELOPMENT COOPERATION

Economic growth creates jobs, improves people's incomes, and promotes innovation. That is why the United Nations 2030 Agenda provides for the active involvement of the private sector in the implementation of the Sustainable Development Goals (SDGs). The Global Business Network (GBN) Programme encourages local and German companies to get involved in sustainable economic development in selected countries in Africa and Asia. Via Business & Cooperation Desks the GBN-Coordination provide information, advice and guidance for businesses on existing support, financing and cooperation instruments of German development cooperation. The GBN-Coordination work closely with the German Chamber of Commerce Abroad (AHK) regional offices. The GBN is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

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## NEW MARKETS – NEW OPPORTUNITIES: NAMIBIA

In order to support the sustainable engagement of German companies in emerging and developing countries, Germany Trade & Invest (GTAI), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the German Chambers of Commerce Abroad (AHKs) as well as other partners combined their expertise in the publication series “New Markets – New Opportunities”.

The booklet shows companies the economic potential of future markets as well as the funding and consulting opportunities offered by the German development cooperation. “New Markets – New Opportunities: A Guide for German Companies” is supported by the Federal Ministry for Economic Cooperation and Development (BMZ). All issues are published on the websites of GTAI and GIZ. You can find selected issues, for example on Namibia also at

[www.bmz.de/ez-scouts](http://www.bmz.de/ez-scouts)



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