Macroeconomic Analysis and implication of the Diamond Industry

The Case of Botswana

UNDP – Botswana

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1. Introduction

This paper analyses the markets and prices of a precious mineral resource – 'the Diamond' on which Botswana economy is reliant. It analyses the prices in relation to the global economic trend, contribution to the national economy, future investment potentials and prospects, and the trading Diamond in the new hub (Gaborone). It highlights key challenges and risks in the industry. It also discusses the macroeconomic policy management and budgets implications; specific efforts and measures taken by the Government; provides alternative opportunities for UNDP in terms of program interventions and advisory services and concludes raising key points.

2. Background

Despite steady recovery of the global economic growth, the price of diamonds has been oscillating from year-to-year for some time. More recently, for instance, the price of polished diamond was low in the early months of 2013 due to the slow economic growth in China and India. Although sentiments improved in December 2013 due to steady U.S. Christmas holiday sales and rising expectations for the Chinese New Year, liquidity in the cutter and dealer markets remained tight, profit margins were low and banks have reduced their credit for rough purchases in the manufacturing sector. A rise in US Jewellery Sales was observed in the month of November 2013. Based on preliminary US government figures, the Jewellery sales in the U.S. totalled $6.93 billion in November, 2013 - a 9.3% year-over-year increase.

3. Economic Trends

Part of the improved market optimism stems from rising confidence in the U.S. economy – the major consumer of Diamond jewelleries. Unemployment fell to 7% in November, 2013, which was its lowest level in five preceding years, and consumer confidence was bolstered by the holiday season. Wealth grew as stock markets rose to record levels in 2013. Investors have sought returns that were not available in the money market given the near-zero interest rates. The Federal Reserve has stimulated the economy through its quantitative easing program and has kept interest rates low. That too was changed after the Fed announced its belief that the economy can fend for itself. All these have *brought positive changes in Sentiment in the diamond and jewellery market*. Higher interest rates has influenced investors to look at less risky assets than the stock market, which result in rising interest for large investment-quality diamonds. Demand for round 2-carat to 5-carat, and certified large diamonds in which Botswana is endowed is therefore expected to improve in the years ahead.

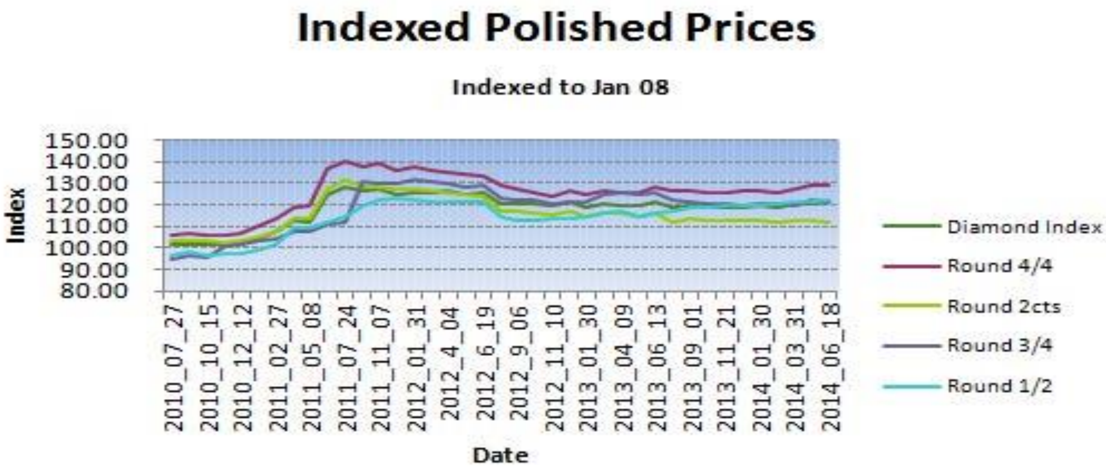
*3.1. **Credit & Liquidity***

The lack of liquidity resulting from tight margins in 2013, and lower bank credit will influence more conservative rough buyers. For instance ABN Amro, one of the largest lenders to the Diamond industry, *reduced its financing* from 100% of rough purchases to 70%, which went into effect on January 1, 2014. Others, including some Indian banks, are expected to follow if they haven't done already. The result is that *manufacturers such as the De Botswana are left to finance a portion of their rough purchases themselves*, leaving them with additional liquidity challenges. Manufacturers and dealers will have to exert greater restraint in their rough buying.

4. Market Analysis

Although few companies - Anglo American (De Beers) and Alrosa of Russia, followed by Dominion Diamond Corporation and Rio Tinto dominate the global diamond production, for the moment the industry structure seems to have stabilized. The diamond market has seen a strong Q1 - 2014 performance. The key producers saw the year kick off well with solid demand for rough diamonds and market optimism. This enabled prices to be raised in the first quarter. In January 2014 De beers raised prices by around 5%, and by mid-year 2013 prices were 7-10% up across the board. Prices in some areas such as 1-2ct rough diamonds reached record high levels. The key Christmas and Chinese Year seasons boosted polished sales. However more expensive rough supplies have caused manufacturing margins to become tighter and concerns over liquidity and bank finance remain.

In 2014 Botswana diamonds continued to exceed expectations on price performance, bolstered by strong market and a consistent supply of very large, high-value diamonds. Polished prices have increased in 2014. The latest figures indicate on average polished prices increased by 4.5% in 2014. The key trade fair held at Las Vegas in June 2014 was reported as satisfactory with decent levels of polished being ordered. Meanwhile all eyes now turn to Hong Kong for the June 2015 trade fair in this second key market.



Source: IDEX

The issue of man-made diamonds remains a key topic in the market analysis by various trade bodies to ascertain the scale of the potential production levels. *At this point man-made diamonds are not considered as a supply threat, but rather as future risk to the integrity of the natural diamond consumers if they are found to be presented as natural diamonds.* Some reports say man-made diamonds are not being produced in significant volumes currently. For instance the Botswana partner - De Beers foresees a year-on-year increase in global diamond jewellery consumption of 5% in 2014 because the US market has improved due to better consumer confidence, disposable income and discretionary purchasing. The Asian markets are also improving and showing strong results.

4.1. Price Trends

Although in 2013, the certified 1-carat polished diamonds price fell by 4.5% while RAPI for 3-carat diamonds dropped by 4%, the figures in 2014 were strongly up for most of the year. Retailers saw a rise in sales of $5.5 billion - a raise by 11.2% on the year earlier figure. The table below reveals the picture of the diamond market in the year 2013.

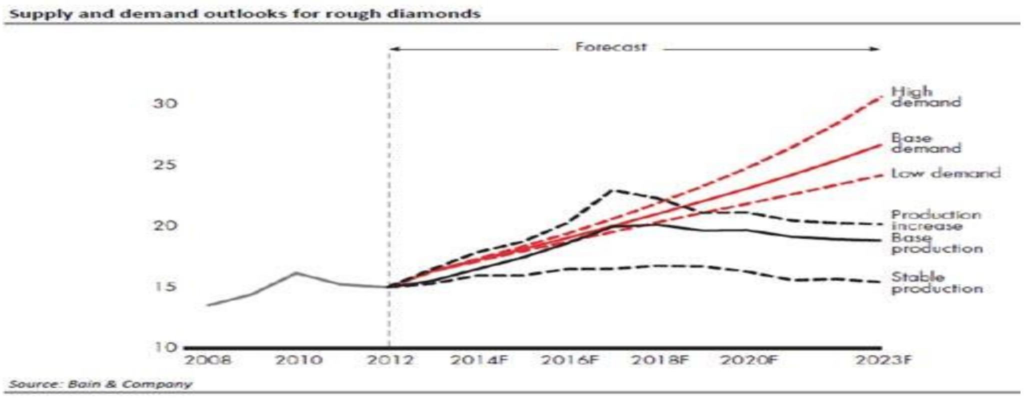
RapNet Diamond Index (RAPI™)			
	December	4Q 2013	Full Year 2013
RAPI 0.3 ct.	2.8%	4.6%	10.1%
RAPI 0.5 ct.	1.1%	1.6%	-0.7%
RAPI 1.0 ct.	**0.2%**	**-1.5%**	**-4.5%**
RAPI 3.0 ct.	-0.8%	-1.8%	-4.0%

The *forecast for 2015* is similar to the sales in 2014. There is a sense that *dealers and manufacturers will even be more aggressive to ensure that they make more money in 2015 and beyond.* The trend continues as the diamond market shifted its focus to the Far East. Large volume purchase of diamonds on the other hand remained cautious throughout 2014 as economic growth was slow and the China government implemented its reform agenda. With the experience of the past few years, the trade enters 2015 in a braver mood, determined to restore growth. *Diamond manufacturers and dealers appear ready to take more risk to ensure their share of industry profit in the year ahead*.

4.2. Price Expectations – Short to Medium term

Following from what is clearly a positive Q1 - 2014 market performance; expectations were relatively stable for the rest of the year. *No wild prices swings are expected*. Production is expected to remain stable and the main producers are not expected to raise volumes or prices to any great extent. That said, the market can always see a bull-run in the last weeks of Q4 leading up to the key Thanksgiving and Christmas seasons; conversely significantly increased volumes into the market may soften prices.

Looking forward, predictions for annual rough diamond price growth from the main producers are very positive ranging between 3 - 5%. The chart below shows a forecast of 5.1% in rough diamond demand to 2023. From 2018 a shortfall in supply is predicted in the absence of new discoveries coming on-stream and *in the longer-term there could be significant price increases*. The continued demand from both the US and the rapidly growing Asian and India markets will logically drive prices upwards.



4.3. ***Rough & Polish Diamonds***

Trading of rough diamond highly improved in 2013. Data from brokers of rough diamond noted that premiums emerged on the secondary market for select boxes of De Beers – a partner of De Botswana was good, but manufacturing profit margins were very tight. Similarly, the demand for polished diamonds has improved during the first quarter of 2014 driven by Chinese New-Year demand and U.S retailers started replenishing sold inventory. In Europe demand was quite good - it grew by 4 to 5% although most of the demand was from tourists as other buyers were still conservative. While sentiment has significantly improved and performance of 2014 were upbeat growing on an average of 5% or slightly higher was good for diamond producers or exporters such as Botswana, but still the Diamond markets continue to be selective and price sensitive.

4.4. ***Big Stone & Coloured Diamond Boom***

The popularity of very large diamonds in which Botswana is endowed has already boomed in the past few years. In fact, while commercial polished diamonds have been volatile, *coloured diamonds and rare big stones have enjoyed unprecedented growth*. Diamond buyers and consumers were looking for something different and unique, while investors have been enticed by the long-term returns these goods offer. As a result, more dealers have entered niche areas such as the coloured diamond market. Estimates suggest that prices of the more scarce items such as pink, fancy intense vivid yellow, and fancy blue diamond's rose by more than 30% in 2013. Fuelling perceptions about the market, large special, coloured diamonds broke numerous records on the auction circuit.

4.5. Long-term Demand for Diamonds

New markets are coming into play. Few years ago China and India had nearly no demand for diamond jewellery but now the demand is growing at a good pace. Newcomers in diamond jewellery also include Indonesia and Malaysia. Thus, there are new markets joining the party, and because the diamond supply is quite limited, *the future for Diamond is brighter than the past few years*.

5. Botswana and the Diamond Industry

For the past four decades the mining sector accounted for roughly 70 - 80% of foreign exchange earnings, 33% of government revenue and 40% of GDP. The Botswana government and De Beers signed a 10-year agreement in September 2011 that will see De Beers' *sales and sorting operations move to Botswana from London*. The deal also provides for the government to market a portion of Debswana's production independently, which it uses to kick start plans to establish *Gaborone as a diversified diamond center*. The transfer of activities from London has been completed in 2013 and Debswana has already started its operation in Gaborone. Although physically it looks far away for many customers of main world cities, what is important is *the diamond industry has become more competitive with new entrants* and Botswana is at the centre of the world of diamonds. Thus, De Botswana has to operate and grow in a more intensive competitive landscape. The good news is as the global economic and financial management and recovery improves, the gain of value for Diamonds continues to improve over the long run.

5.1. Contribution of Diamonds to Botswana's Economy

As of the Q3 of 2011, mining contributed up to 32% of overall GDP, and it supplied about a third of the government's total revenue. Despite its great contribution to the country's wealth, however, the sector only accounted for about 5% of employment. Botswana's economy is among the most skewed in the world between rich and poor, and an estimated 19% of Botswana's population in 2013 survives on less than $1.25/day. Largely due to diamond revenue, Botswana enjoyed the highest GDP growth rate in the world from 1970 to 1999 (8.3%). Its economy contracted in the wake of the global financial crisis, but recovery is well underway. Real GDP grew by 7.8% in the Q3 of 2011, 5.1% in 2012 and is expected to grow by 5.5% in 2014. Other minerals mined in Botswana include coal, copper-nickel matte, soda ash, salt and small amounts of gold. More recently, coal and uranium have emerged as key potential revenue generators. In late September 2011, the government lifted its moratorium on the issuance of new licenses in the mining sector to attract more FDI.

*5.2. **Diamond Trading in Gaborone***

As part of the negotiated agreement De Beers is contracted to sell the majority of its rough diamond in Botswana and transfer its international sales from London to Gaborone. The move complemented the launch of rough auctions by the state-owned Okavango Diamond Company, which now has access to 13% of De Botswana production. These developments *have placed Gaborone firmly on the rough trading map*, and traffic to Botswana is expected to grow even more in 2015 and then after. Developing a more dynamic inter-dealer market and polished trading are the natural next steps for the country.

5.3. Price Hike on Rough Diamonds and its Implication

Following De Beers increase in the prices of rough diamonds in the small category by around 6 - 7% and big diamond category by an average of 5% at first sight sale of 2014 held in Gaborone, the world's biggest diamond cutting and polishing centre in Surat is bracing for *increased flow of lab-grown synthetic diamonds*. Industry leaders fear the hike in rough diamond prices by De Beers is set to affect the profit margin of the small and medium diamantaires and *force them to go for buying cheap lab-grown diamonds*, which would later be mixed with the natural diamond parcels affecting the price and quality of the natural diamond market. A sight-holders who attend the first sight sale of De Beers at Gaborone reported that the company has increased prices in all the diamond categories by an average of 5%.

5.4. Investment Pipelines

De Beers has limited its spending on new mine development, it is concentrating on prolonging production at its flagship Jwaneng mine in Botswana. At Jwaneng - the richest diamond mine in the world by value, it is working on the cut-8 extension that will extend the life of the mine to 2025. The company is expected to make a decision by 2015 regarding cut-9, which will further stretch Jwaneng's life. The new kid on the block, Lucara Diamond Corp., is expecting a break-out in year 2014. Having launched production at its Karowe mine in Botswana, the company expects to sell more than 400,000 carats of diamonds from the mine in the coming year, generating over $150 million of revenue in the process. Similarly, Gem Diamonds is developing the Ghaghoo mine in Botswana. Gem Diamonds is expecting to launch production at Ghaghoo in the second half of 2014, tapping its estimated total resource of 20 million carats. Also operating in Botswana, Firestone Diamonds received a boost by securing a $140 million to construct the main treatment plant at the Liqhobong mine.

The above incomplete list suggests *the next few years will be relatively eventful for the diamond mining sector of Botswana*. Diamond mines are rare and take a long time to develop, making these projects all exciting. However, the mines coming on stream are moderately small and the expansion projects are designed to maintain the respective company's positions in the market. Therefore, the supply forecasts *for the next 20 to 30 years are relatively stable*. That may suit the mining companies investment shareholders such as the Botswana government, making them excited by the prospect that diamond supply should fall short of demand in the long term.

6. Diamond Scandals - A Risk to the Industry

As important as it is, the diamond industry is also plagued by a number of scandals affecting economies of countries who depend on exporting the precious commodity. Most prominently some *producers are mixing lab-grown diamonds with natural diamonds and mixing conflict diamonds with approved stones without disclosure*. <u>Diamond melee</u> is the preferred place to hide less expensive lab-grown diamonds. Although there is Kimberley process where representatives meet occasionally, *it is weak and accomplish nothing beyond data until now*. These and other problems exacerbated by what could be described as a 'code of silence' that appears to be a requisite to enter the trade. It seems the industry is also banking on 'consumer indifference.' So far this has worked as consumers are largely unaware or don't care about the source of their diamonds—at least for now.

6.1. Lab-Grown Diamonds

No matter how much it angers diamond dealers and producers, *diamonds grown under lab conditions falsely labelled as synthetic diamonds* by many are in the market to stay. The smarter diamond producers in the industry, such as Royal Asscher with its Rebel Chique brand, are already in the business stating - these are real diamonds that represent real value for consumers without any worries of how they were mined. The makers of synthetic diamonds are getting better at making gem-quality stones in different sizes, shapes and colours. In fact, *it's their variety and affordability that make them a choice for fashion conscious consumers*.

6.2. The Best and Worst Things to Happen to the Industry

Natural diamond industry is drifting. To a certain extent the diamond business seems to think as it did prior to 2000, *it largely ignores the outside world*. As a result there are more risky scenarios in the industry.

6.2.1. The Worst Scenarios

When the EU lifted sanctions on Zimbabwe diamonds, people in the main markets such as Antwerp cheered, without considering why certain people—including consumers who buy the product—might not feel too happy about that. *Reports of dubious business practices continue*, banks are fleeing the business, coloured stones are increasing their market share, and the overall impression is of *an industry going backwards*. If there is any consolation, certain players in the lab-grown diamond business aren't acting much better.

Undisclosed sales of synthetics - while most people in the industry are ethical, it's stunning how greed players can turn this entire business upside down. Even the good news has conditions: De Beers plans to release its *synthetic melee detector* next year (2015), but *it carries a huge price tag*, *it is only available to lease*, and isn't being made available to the industry at large. The news coming out from India is that industry leaders are looking at "*a framework for members to trade in natural and synthetic diamonds.*" This is most welcome, but it probably should have happened long time ago.

Big crimes - events like big-dollar robberies in France and Brussels get the industry a lot of publicity. They also spread the word that taking on this industry can have a massive payoff mainly on those countries whose economy is largely associated with Diamond exports. Unfortunately, *nobody wants to spend any amount of time*. They just demonstrate the need to talk about security in a collective way and tighten up systems so that the ill-gotten gains are tougher to dispose of.

Rough Diamond Over-Supply - Diamond miners are treading a fine line, they are *careful to keep short-term production* levels in line with demand. Planning production for 2015 and beyond may therefore be tougher than usual given current rough market conditions. The customers, dealers and manufacturers who buy rough diamonds, are frustrated by low profit margins they garner in the past few years. Restrained by tighter bank credit, rough buyers are determined to ensure that margins improve in 2015 and they may be willing to reject non-profitable rough when necessary – even if demand is strong. That said overall rough demand is likely to be flat in 2015 as it was in 2014, and *average prices are expected to soften while manufacturing levels remain well below capacity*.

6.2.2. Best Scenario

Attention paid to lab inconsistencies - From the 2014 Rapaport seminar, to a Florida jeweller's Diamonditis campaign, to TV exposés, the diamond scandal issue has taken on a much higher profile than it has in past years. Granted not many solutions present themselves but at least *the trade admits it has a problem now* and that is generally first step to solving it.

Regardless of the concern of the rough suppliers, the major mining companies such as De Beers are planning production at similar levels to the year ending, while the mid and smaller producers are increasing their output as development projects come to completion. In fact, there is fair amount of investment in diamond mining as companies seek to boost production beyond 2015. For companies longevity is the key as they foresee *long-term diamond supply falling short of demand due to expected consumer growth in China and India*. As a result, there are a number of projects that gain momentum in 2014, including *expansion of existing mines and programs to develop new ones, which will ensure sufficient supply to the market in the coming decade or two*.

7. Conclusions

- *Globally* the Diamond industry seems stabilized. The market has seen a strong 2014 performance. The key producers saw the year kicking off well, with solid demand for rough diamonds and market optimism. This enabled prices to raise in the past quarters. In January De beers raised prices by 5% and by mid - 2013 prices were 7-10% up across the board.
- Due to *the spill over effect of the 2008 - 2009* financial and economic crisis in developed countries, the price of Botswana Diamond –a major sources of export revenue - was severely hit affecting its GDP growth and job security of many citizens. However, there has been a steady recovery beginning 2010 onwards. In 2011 mining contributed up to 32% of the GDP supplying a third of government total revenue. Real GDP grew by 5.1% in 2012, and in 2013 and 2014 prices escalated benefiting the country.

- The *outlook for 2015* and beyond - is also bright, except that these resources are finite and there will be a decline of revenue beginning 2025. The government is well aware of this and is working towards diversifying and directing the economy into non-mineral bases - tourism, livestock and manufacturing sectors. Within the mining sector itself, the government is exploring other exportable commodities - coal, copper-nickel matte, soda ash and salt. More recently coal and uranium have emerged as key potential revenue generators.
- *On the job front* - despite its great contribution to the country's wealth, the sector only accounts for about 5% of employment. To improve the situation the government has successfully negotiated with De Beers to *move the processing and auctioning of diamonds from London to Gaborone*. This move helped not only creating more jobs (about 3,500), but also transferring skills and improving the value addition and beneficiation from processing Diamonds.
- On the *down side* - the Diamond sector is facing some *dubious practices* and to a certain extent *an oversupply of rough diamonds* putting the sector into risks. But the main risks are coming from *the emergence of synthetic diamonds, adulteration of natural and lab-made diamonds* affecting both the producers and consumer.
- Regarding *future sustainability* - since the long-term supply of natural diamond is falling short of demand due to the expected increase of consumers in China and India, there are a number of projects gaining momentum. These include the expansion of existing mines and programs to develop new ones, which will ensure sufficient supply to the market in the coming decade or two.

8. Implications for National Budgets and Macroeconomic Policy Management

- Although there are hard lessons learnt from the global financial crisis, *Botswana is not at a risk of losing benefits due to the recent decline in commodity prices* for - gold, iron ore, crude oil, cotton and cereals at the global market. Instead Botswana's commodities mainly *Diamond and Coal are getting good momentum* due to the rise in demand in the big markets of the US, EU and Asia. While the market for Diamonds and some other commodities is mainly outside the country, the demand for Coal is both within its territory (to generate electricity), in the region and the Far East (mainly china and India). Thus, one can safely conclude *unlike some African Countries, Botswana is spared from the ongoing price loses of key commodities in the short run and the long run projection (next 5-10 years) for the main commodity - Diamond is also safer*. Thus, there is no negative implications on the national budget and no need for introducing new macro policy management measures in the short run other than those already in place.
- Emphasizing on the need for looking alternatives to post diamond period, the BIDPA (2013)'Minerals and Energy Revenue Projection 2012-2027', concluded "even *in the best case scenario* if all new coal, uranium, copper, iron ore and CBM deposits are developed they will not replace the expected decline in diamond revenues." Thus Botswana will very likely face a 'fiscal cliff' around 2027. In the *base case scenario* on the other hand the study concluded "it is unlikely any of the new mines would eventuate before 2027." Another study, entitled 'Life after Diamonds' looked at the economic consequences of the decline and eventual end of diamonds. Among the important policy recommendations that have been made include - *Botswana diversify its exports and become competitive in the world market* giving - examples of Mozambique's move from cashew nut exporter to aluminium exports; Mauritius's move from agriculture to industry and then to service exports in 35 years and Namibia's move from downstream processing of diamonds into base and energy metals, which Botswana is likely to follow.
- To improve its competitiveness, *Botswana needs to reform its tax incentive system or it will not attract investment in sectors other than mineral exploration*. The creation of tax-free Export Processing Zones (EPZ) would be an important first step to start with. However, reforming the tax system without addressing the underlying causes of the lack of competitiveness of firms located in Botswana would not result in long term sustainable investment. This has certainly been the experience of Namibia. Therefore, Botswana has to address its skilled professional labor and transport costs and interest rates.
- *Eliminating the barriers* to improved competition in trucking and removing restrictions that raise transport costs of getting containers to ports is essential. Building new low cost railway to the coast is also key for the development of the coal and low value base metal sectors. Although this seem very expensive initially; it will enable the transformation of Botswana by lowering the cost of container shipping to the coast.

9. Specific Efforts Taken by Government

As stated elsewhere Diamonds are the backbone of Botswana economy and the largest sources of revenue. A rise or fall in the prices of Diamonds has direct effect to the national income and the overall growth of the economy. This has been proved during the 2008 - 2009 global financial crisis where a huge loss in revenue and jobs was experienced, pushing the country to seek for credit sources for the first time in its modern history. Cognizant of such problem may happen any time in the future, coupled with the diminishing trend in Diamond resources after 2025; the government has already started fallowing a *prudent macro-economic policy management where by every extra Pula generated from the sale of Diamond and other resources is put into the 'Pula fund' (a sovereign fund)*; so that future mishaps will not bring an unexpected disaster and macroeconomic imbalances, compromising future generation. Furthermore, the government is *diversifying the economy into other sectors* i.e., - livestock, tourism and some other new minerals (coal, copper-nickel matte, soda ash and salt) to off-set the dependence on diamond. It has also *successfully negotiated with de beers* - the major stakeholder in the diamond business to bring the polishing and manufacturing as well as the diamond stoke market to Gaborone. The aim being to create new jobs for citizens, to benefit from transfer of knowledge and skill to young Botswana, and to create forward and backward linkages of SMEs with the Diamond business companies.

Botswana has a combination of vast potential *energy resources* that are emerging as very substantial deposits of base metals. The country now needs to develop synergies between these resources in line with the kind of policies used *by Malaysia, South Africa and other countries to provide strong incentives for firms to locate*. No matter how well Botswana manages its industrial policy, it will always be disadvantaged by virtue of being small and landlocked. But it can compensate investors for that disadvantage *by providing electricity - the resource of which it has in abundance* by pricing at marginal cost to strategic industries in its EPZ.

10. Opportunities for UNDP

Botswana is Africa's model in terms of *efficient management of extractive industries*, *the revenue generated* from its natural resources, and *utilising the resources to improve its socio-economic developments*. There are many lessons to be learnt and shared with other African Countries who suffer from 'resources Curse.' In line with this the UNDP Country office has prepared and shared with RBA a proposal on "*the establishment of a centre of excellence for extractive industries in Botswana*". Some of the key lessons and opportunities for UNDP in terms of program interventions and advisory services are:

- UNDP can *avail a platform for debate, provide policy advice and program support services* for efficient management of natural resources (both renewable and non-renewable) in a declining environment of official development assistance (ODA) and the stress to find domestic sources of finance.
- The global focus on *green growth approaches, sustainable development strategies (SDGs) and environmental justice, are emerging new opportunities* that demand UNDP support. In practice they present an opportunity to design and implement integrated programs that address resources based conflicts, protection of environment, resources governance and economic management. Botswana has all facilities to host international conferences on climate change negotiations, post-2015 consultations, special conference etc., to advocate the issue.
- There is also an opportunity to provide support *in contract negotiations with large multinational companies in extractive sector by establishing and availing multidisciplinary teams* to renegotiate mining contracts. Promoting transparency, accountability and addressing corruption risks and illicit capital flight are areas where UNDP can do policy advocacy and programmatic support based on its accumulated expertise. Bringing together different stakeholders (the state, the private sector and communities) for continuous dialogue on issues of managing EIs gives another opportunity to prevent conflicts.
- On the economic management front, governments are demanding support for *managing fiscal revenues from extractive sector both at national and regional levels*. Some of the key activities that can be worked out include - documenting and sharing good practices in managing sovereign wealth funds, design and manage CSR initiatives of extractive companies, development of local content (i.e., integrating SMEs into extractive value chains). For e.g., in Botswana UNDP can partner with the extractive companies in working with local communities to use protected area for eco-and community based tourism and develop efficient resource management. Empowering women economically and addressing land tenure is key for sustainable use of natural resources. This is another area that UNDP can consider developing a program intervention.
- *Valuation of the contribution of natural resources to GDP* and strengthening commitments for sustainable use of natural resources is another opportunity. Valuation attaches the monetary value of protecting natural resources (e.g., wildlife and rainforests) to get finances from donors in return for preserving. UNDP can conduct analytical, programmatic and advocacy work related to this.