Gov't spending set to keep green projects on track

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GREEN SPENDING: Government expenditure on eco-friendly projects will soften the blow of any slowdown in the industry in the Middle East, it is claimed

Increased government expenditure in the environmental sector in the Middle East will soften the impact of slower growth in the market in 2009, according to research and consultancy firm Frost & Sullivan.

Valued at around $12bn in the Middle East, the environmental market is made up of alternative energy, energy efficiency, water and wastewater treatment, solid waste management and green building technologies.

“After seeing a year of exemplary growth in 2008, the market is expected to tone down in 2009,” said YS Shashidhar, vice president of South Asia and Middle East for the firm.

Concerns had been raised that the execution of some projects, especially in the GCC, may be delayed because of a tightening in availability of finances and increasing costs amid the global economic downturn.

But Shashidhar said: “The market is expected to ride over this rough economic terrain on the back of increased governmental expenditure in the environment sector.”

In its 2009 budget, for water, agriculture and infrastructure Saudi Arabia allocated SR 35.4bn, 24.4 percent higher than last year’s amount. A large part of the allocation was expected to go towards raising municipal wastewater treatment capacity, with only around 40 percent of houses connected to a sewage network in the kingdom, the company said.

Qatar is expected to allocate around 40 percent of its budgeted expenditure to developmental projects.

The Environment Agency Abu Dhabi, had unveiled Abu Dhabi Environment Strategy 2008-2012, which set ambitious targets for environmental compliance in air quality, water resource management, hazardous materials and waste management and biodiversity management.

After sluggishness in the market in the first half of 2009 due to uncertainty in the global business environment, by the end of 2009 the market was likely to recover lost ground, Frost & Sullivan said.

Growth in the building technology (BT) market in the Middle East was expected to slow in 2009, especially in the UAE and Bahrain, as the industry felt the strain of a cooling in the building sector, according to the firm.

The industry would continue to grow, albeit with lower growth rates, in the first two quarters of 2009 as on-going projects and related orders continued.

An infrastructure boom on the back of huge oil surplus revenues had been the prime driver for the Middle East BT market, which had grown at over 20 percent since 2004, it said.

The overall BT market for the Middle East was estimated at around $2.5bn in 2008, with GCC alone clocking in close to $1.3bn.

The impact of the construction slowdown on the BT industry would be more pronounced in countries such as the UAE and Bahrain, Frost & Sullivan said. Qatar would be less affected on account of its oil and gas wealth and sound investment in infrastructure.

Major projects in Saudi Arabia and Oman were expected to continue as well thanks to financial backing from their governments.

The Middle East was expected to offer good long-term prospects, though the region may witness a moderate growth of 13-18 percent across various countries and BT segments in 2009 and 2010, the firm said.

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