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Report Says $30Bln in Annual Infrastructure Savings Possible

By Roland Oliphant

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The Russian economy desperately needs investment in infrastructure. **Igor Tabakov**

Russia could save more than $30 billion a year out of the $1.5 trillion it has earmarked for infrastructure spending by 2030 through simple efficiencies and a more discriminating choice of projects, according to a new report.

The findings come as part of a larger report that recommends massive global spending on transportation, energy, housing and other infrastructure to keep the world economy growing.

Published last week, the McKinsey Global Institute report looked at infrastructure investment in 84 countries over 18 years to give an overview of worldwide spending on the sector.

Researchers found that about 3.8 percent of global gross domestic product is spent on infrastructure investment annually, and estimated that the world will have to spend at least $57 trillion by 2030 if it is to maintain an average economic growth rate of 3.3 percent per

year. That represents a 60 percent increase on the $36 trillion spent in the previous 18 years.

The report's authors believe that inefficiencies in the sector are so great that relatively simple measures could deliver savings of 40 percent on the cost of delivering globally needed infrastructure.

Worldwide, this would be the equivalent of providing $48 trillion worth of infrastructure for $30 trillion in an 18 year period, a savings of $1 trillion a year.

For Russia, a 40 percent saving would mean shaving $600 billion off the 1.5 trillion the government has earmarked for infrastructure up to 2030, equivalent to about $33 billion a year.

The report's authors singled out Russia, Indonesia, India and Brazil as major economies sorely in need of massive infrastructure investment if they are to continue growing.

Russia has only 6 kilometers of roads, 5 kilometers of railways and 35 airports for each 1,000 square kilometers of its vast territory, a fraction of the proportion in the United States.

The government has made road, rail and other infrastructure projects a priority for the coming years. But massive flagship projects have been plagued by massive cost overruns.

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