

## **Developing Infrastructure for Economic Growth and Improved Living Standards**

### KEY CONCLUSIONS

#### **Infrastructure development is a top priority for Russia in the coming years**

"Developing our country's infrastructure is one of the top priorities. It has been designated as a national idea and a national goal by the leadership of the Russian Federation. And we understand that infrastructure constraints are key limitations in terms of developing our country's economy", Russian Deputy Prime Minister Dmitry Kozak said.

"Infrastructure is something without which no spatial development is possible", Russia TV Channel Anchor and Deputy Director and President of the Bering Bellingshausen Institute for the Americas Sergey Brilev said.

"Most projects are not feasible without state support [...] The integrated development of the city is impossible without serious infrastructural development", Mayor of Moscow Sergei Sobyenin said.

#### **Investment in infrastructure is the foundation boosting investment in the economy**

"For each rouble of investment in infrastructure, we receive 3 roubles of private investment. We have increased investment in fixed assets by 70% in recent years thanks to the systematic and yearly development of both utility and transport infrastructure as opposed to spontaneous, one-time investment. For comparison's sake, the growth throughout the country over this period was about 10%", Sobyenin said.

### PROBLEMS

#### **Stranded costs on maintaining reserve power**

"Today, power grid companies, as part of the implementation of their own investment programmes, are building new facilities that are actually only being utilized at a rate of 0.2%. Power grids must pay to maintain reserves, but are not generating any income from it. Due to the lack of demand for such

infrastructure, the funds of consumers, business, and the state are being wasted”, Kozak said.

### **The large size of the country**

“The country is spending huge amounts of money on infrastructure development today. It’s clear that this is not to our competitive advantage: we have vast distances, vast territory, and a lot of undeveloped regions”, Kozak said.

### **Cyber threats to modern infrastructure**

“Another important issue that I would like to address is cyber security [...] It’s time to admit that we need to create major infrastructure and a ministry that would control emergency situations in the digital sphere, which affects all infrastructure without exception. This is one of the key trends and challenges of the future”, Sberbank CEO and Chairman of the Executive Board Herman Gref said.

## **SOLUTIONS**

### **Using advanced technology and the digitalization of infrastructure**

“The implementation of the digitalization project in the electric power industry will ensure a higher level of comfort in people’s lives and boost consumer service to different, qualitatively new standards. The introduction of digital technologies is not an end in itself for our company. First and foremost, it is an opportunity to optimize business processes involving the transmission and distribution of electricity and an opportunity to improve the efficiency of our work by enhancing the performance of electrical networks to global standards. All this will enable us to solve problems more efficiently”, Rosseti General Director Pavel Livinsky said.

“We don’t need old infrastructure. We need modern infrastructure combined with absolutely new, progressive elements. And we need attractive, convenient infrastructure”, Russian Railways CEO and Chairman of the Executive Board Oleg Belozеров said.

“In Russia, we see great potential for the development of digital technologies for both domestic consumption and export. Last year, the Russian government adopted the large-scale Digital Economy state programme, which provided a serious impetus for digitalization in all areas, including infrastructure. Over the

past two years, Schneider Electric has opened two R&D centres in Russia – at the Innopolis Special Economic Zone in Tatarstan to develop industrial control systems and at Skolkovo Innovation Centre to develop software for the power industry. Together with our Russian clients and partners, we are creating an innovative ecosystem around these R&D centres, which promotes the development of new technologies and the exchange of ideas”, Schneider Electric Executive Vice President for Industry and Member of the Executive Committee Peter Herweck said.

### **Focus on investment in intellectual property**

“Over the past 20 years, investment in tangible and intangible assets has switched places. Intangible investments and intangible assets are not easily recognized by official statistics and are virtually uncountable. Creating intangible infrastructure or intangible assets is the main trend driving the economy today”, Gref said.

### **Improving the efficient funding of infrastructure projects**

“Spending on the development of the power grid industry amounted to RUB 261.9 billion in 2017, and RUB 1.3 trillion are earmarked for funding to the power grid sector in 2019–2024. There are plans to build tens of thousands of power transmission lines and tens of thousands of megawatts of transformer capacity. Transneft has proposed spending RUB 1.1 trillion on oil pipelines in 2018–2022, Gazprom – RUB 5.7 trillion, and Russian Railways – RUB 3.8 trillion. Federal budget spending on construction will amount to RUB 2.3 trillion until 2024. The problem is how to enhance the efficiency of these expenditures. It’s essential that all these organizations act in a coordinated manner so that their actions are synchronized”, Kozak said.