

# Economic Growth through Private MENA Pensions

Lakhdar Moussi, a speaker at the Marcus Evans Middle East Investments Summit 2010, discusses why a private pension and savings initiative is necessary in the region.

Interview with: Lakhdar Moussi, Senior Vice President, Kuwait Projects Company

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Little is being done in the Middle East and Africa (MENA) to address the provision of additional income upon retirement, says Lakhdar Moussi, Senior Vice President at Kuwait Projects Company. In the GCC, most products are targeting the expatriate communities, with everyone else relying on their state to support them through old age. But a little saving now can go a long way in helping build up infrastructure and capabilities, contributing to the economic development of the region overall. A speaker at the Marcus Evans Middle East Investments Summit 2010, taking place in Dubai, 3 - 5 October, Moussi talks about his efforts in developing a platform for pension provision and why it is needed.

What does the pension industry in the Middle East need right now? What is the pension provision platform that you are working on and why?

Lakhdar Moussi: Institutional investors in the region need to give more emphasis to productive investments and reduce their emphasis on stock markets and financial trading. They are too engaged in international financial markets, instead of direct investments which create jobs, production, products and services. They need to access long-term funding that will ensure smooth completion and operation of these investments. Pension industry is, by definition, a provider of long-term funds.

The pension provision platform we are promoting is not unique as such, but novel in the Middle East. The pension industry has been limited to government pension systems, with products that are available in the market offered by international companies targeting mainly expatriate communities. Most people are relying on their state to provide their retirement income; nothing of substance is being done to address the provision of additional income upon retirement. KIPCO's project has a regional scope which ensures cost effectiveness of the expert resources, technology means and investments in training required for a successful implementation.

We are trying to encourage more savings and pension products for individual national consumers. MENA regulators are in favour of the emergence of this industry, which would also contribute to the economic development of the region. The potential for savings that would be available for investment is tremendous. For each dollar saving per head, it would mean additional business of USD 350 million. This money would be available for long-term investments; for governments it would be a long-term source of financing which would help in the build-up of infrastructure and industrial capabilities.

One of the major issues today is the mismatch between funding and the prospect of return from a project. Too many people are financing industrial projects with medium and short-term debts which are not necessarily compatible with what the market can do.

Where are the investment opportunities in the region? Lakhdar Moussi: Today, the average income earner has the option of keeping money in the bank with, at best, a return expectation of one per cent as interest. Stock markets in the region are not generally in favour of small investors - movements are very unpredictable and risky, and it is over speculative for investing money that you would like to have for your old age. The public has

little access to sovereign debts issued by governments or bonds in the absence of specific vehicles.

An opportunity for investment would be the housing industry. The demand in terms of housing in all Arab countries and the MENA region is tremendous, but so far not properly addressed, even in countries with a high GDP such as Saudi Arabia. The opportunity for long-term investing in a manner which is secure and brings decent returns can be arranged for retirees who have money saved, as the default on a mortgage on paying the lease is generally much less than the losses that one can face on the stock market.

Another area where funds can be deployed is in the small and medium manufacturing industry, such as the food processing and production sector and other areas with ongoing demand from consumers.

What portfolio management strategies would you recommend?

Lakhdar Moussi: Portfolio management strategies start by defining strict guidelines in terms of purpose; the products that we intend to promote will aim at preserving the purchasing power of money collected. The investment strategy will not seek maximisation of returns but more security and continuity in the flow of returns. A pension is money that you want to put aside for use after 20 or 30 years; it is not something that you want to speculate with. Preserving the purchasing power is the focus of our objectives.

Without the development of a private pension industry, I do not see diversification on the investment horizon for the individual savings. Stock market investments are practically the only option on offer today, which does not help in having a diversified offering which allows people to think more on sustainable returns as opposed to maximising return in the short-term. The economy in developing countries needs minimised speculation and much more substantial return through creation of value rather than speculative value.

Contact: Sarin Kouyoumdjian-Gurunlian, Press Manager, marcus evans, Summits Division

Tel: + 357 22 849 313

Email: [press@marcusevanscy.com](mailto:press@marcusevanscy.com)

About the Middle East Investments Summit 2010

This unique forum will take place at the Park Hyatt Dubai, United Arab Emirates, 3 - 5 October 2010. Offering much more than any conference, exhibition or trade show, this exclusive meeting will bring together esteemed industry thought leaders and solution providers to a highly focused and interactive networking event. The summit includes presentations on ensuring capital adequacy, the new age in governance and risk management.

For more information please send an email to [info@marcusevanscy.com](mailto:info@marcusevanscy.com) or visit the event website at <http://www.mei-summit.com/LakhdarMoussiInterview>

Please note that the summit is a closed business event and the number of participants strictly limited.

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#### **Contacts**

Sarin Kouyoumdjian-Gurunlian  
+ 357 22 849 313  
[mailto: press@marcusevanscy.com](mailto:press@marcusevanscy.com)