



Once Optimistic, Equity Firms Now Struggling

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In 2008, Cambodia's economy was one of the fastest growing in Asia. Back then, at least three major private equity firms opened for business, hoping to raise hundreds of millions of dollars in capital for investment in agriculture, real estate, hydropower and others.

These days, however, these firms say they've had a hard time wooing investors made nervous by the global economic crisis.

"Now we have postponed our fundraising because of the general economic crisis," said Brad Gordon, managing director of Cambodia Emerald, which had hoped to raise \$100 million this year.

Gordon, who has gone from private equity to business consulting, said his firm may start raising funds next year.

Meanwhile, Frontier Investment and Development Partners, which expected to raise \$200 million, has also seen little funding.

"The economic crisis resulted in investors pulling back from investing in emerging market countries," said Mavin Yeo, a managing partner for Frontier. "In Asia, they only look at China and India, even that it is tough. The less developed countries have found struggle to raise money."

Leopard Capital so far has been the only one of the three firms able to raise capital, though they are well below their planned \$100 million for 2009.

Leopard has raised slightly more than \$28 million from investors in Europe, the US and Asia, said Douglas Clayton, the company's CEO. The firm hopes to see \$30 million to \$40 million by the end of the year, still 60 percent below target, he said.

"I can't say that it is easy to raise money, but it's possible," Clayton said. "Even if we don't get any more money, we're OK, as we were the first fund to make some investments."

Leopard has invested in a residential estate in Siem Reap, a rice plantation in Kampong Chhnang province, a beer brewery in Phnom Penh and electricity supplier in Kampong Cham province.

Equity firms can help raise foreign investment, and the stunted take-offs of Cambodia's first three have been a loss to the economy, said Ros Seilva, deputy director-general of the Ministry of Economy.

Many developed countries have high numbers of private equity firms, but for a country like Cambodia, weakness in the rule of law can make investors wary, said Chan Sophal, a researcher for the Cambodia Development Resource Institute.

In 2008, Cambodia was ranked 166th of 180 countries by Transparency International, making it the second-most corrupt country in Asia, ahead of Burma. A World Bank business report for 2010 ranks Cambodia's business climate 145th of 183 countries; in Asia, only in Laos is it harder to do business.

Still, Chan Sophal said, in the next five years, private equity firms should see more confidence in investors.