



## Leopard Capital Weighs Investment Climate

By **Ros Sothea, VOA Khmer**  
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*[Editor's note: Leopard Capital is the only company in Cambodia raising funds from foreign investors for multiple sectors. Since its inception in 2007, Leopard's manager partner, Douglas Clayton, has met with more than 500 wealthy investors from around the globe, though most have proved hesitant to invest in Cambodia. Clayton recently sat with VOA Khmer for an interview in Phnom Penh.]*

**Q.** When you first began here two years ago, you expected to raise \$100 million. How far have you come in that plan?

**A.** Well, two years ago when we started this fund, the world economy was much stronger. So we were more optimistic, but things changed, [and] we've raised \$28 million. We are going to invest in around 10 businesses here. We have some 80 or 90 investors in our fund. So we have managed to persuade some of them to send their money to Cambodia.

**Q.** What is the difference in Cambodia's investment climate from when you first opened your office?

**A.** Certainly, the economy slowed down a lot. It has become more difficult to raise money for any risky investment than it was two or three years ago. Globally, investors have lost a lot of money because of the stock markets coming down and the property markets coming down. So there's less money for people to invest, and there is more caution for the money than before. They try to hang on to what they have, and they try not to take long-term risks. They want to be very liquid with their investments.

**Q.** You mention risky business. What are the risks to business in Cambodia that make it hard to attract investors?

**A.** Most foreign investors don't know very much about Cambodia. Most of them have never been here, and they remember the old history of Cambodia thirty years ago, but they don't know too much about the recent history. So we have to explain what has been going on here and how the country has changed, how it is developing. The hardest part is that most people consider Cambodia as a small country far away that they have never been in, and they generally have heard negative things in the last two decades. They haven't heard the positive things going on here.

**Q.** In this economic crisis, what are the most risky Cambodian businesses to invest in?

**A.** I don't know if I could answer which sector is the most risky. But certainly it's all about finding businesses that can still prosper during the time of global recession. We could invest in agriculture; there's always demand for food. Whether the economy is strong or weak, there is still some demand for rice.

**Q.** In the middle of 2008, when the economic crisis was hitting, how many investors were you talking with?

**A.** I've been around the world four or five times marketing this fund, and I have probably met over 500 investors individually. These are large institutional investors that manage billions of

dollars. I spoke at 10 or 12 conferences that I was invited to, to explain Cambodia with other speakers who explained other countries.

Q. Who were these investors? Where were they from? What were their views on Cambodia's investment climate?

A. We have investors from all over the world, but the largest group and largest percentage is from Europe, European investors who are familiar with Southeast Asia, as many of them have come for holiday in this part of the world. But most of them would say something like, "I'll have to come out to visit Cambodia on my next trip to Asia before I invest." And then, after they don't have to come to Cambodia, most of them don't actually start investing. But at least they learn a little bit about Cambodia, and they know there is an opportunity to invest here.

Q. It seems that these investors are reluctant to invest in Cambodia. Can you identify reasons that have made them so hesitant to enter the Cambodian market?

A. Firstly, they'll consider the very small economy of Cambodia. The total GDP here is around \$8 billion or \$9 billion. That's about the size of one company in the West. So they think they should spend a lot of time to understand a tiny economy such as Cambodia. Secondly, they are worried about the rule of law. They read in the paper a lot of reports that the rule of law is weak in Cambodia, and they worry to invest here they might not be able to get their money back.

Q. What kind of law?

A. They are worried if there is a dispute with a fund or other local partners who they invest with, they are not sure that the court will be able to give a fair ruling. That not only happens in Cambodia, but in all emerging countries, where investors worry about contracts, resolution and disputed elements.

Q. What about corruption? A recent report by the World Bank and International Financial Corporation says corruption is still the most challenging aspect of investment in Cambodia.

A. Yes, it is a challenge in all markets, especially when we have underpaid government officials who have to find a way to support their family. So this is something that we have to manage and have to be careful of.

Q. What currently are the most favorable investment destinations?

A. Well, I think most people still focus on China and India. They like the large populations of these countries, the huge economies. These countries should be major players in the world economy.

Q. Can you sum up the positive and negative aspects of Cambodia's investment market?

A. The bad things are what we have talked about: the rule of law, under-development, corruption and the small economy; the fact that most of the people are not very well off and can't afford products and services; people widely dispersed around the country. The infrastructure is still not perfect. The cost of power, telephone, Internet, and transportation are all higher than other countries. Human-resources skill is another problem. Any business we do, we have to train a lot more than we would do in another place. We may have to import managers initially.

The positive side is that it is a country that has many business opportunities. In most countries, there will be rental car agencies, there is a bus pickup to town, but there are not in Cambodia. Many other Asian cities have this, but Phnom Penh doesn't.

Secondly, we have a very young population here. The average age in Cambodia is 21, unlike many western countries, where the average age is 40, the time that you get ready for retirement. Cambodians are just ready to go to work.