



BlueOrchard CEO names latest microfinance trends

By Margaryta Kirakosian / 10 Mar, 2017



The biggest challenges in microfinance are country and political risks, and the best way to mitigate those challenges is through diversification.

This is according to Patrick Scheurle, CEO at BlueOrchard, who is currently invested in more than 70 emerging markets around the globe.

Two markets have historically been important for the firm: Peru and Cambodia. Scheurle said those two countries have a wealth of opportunities in microfinance and a solid regulatory environment.

Scheurle said one company BlueOrchard likes in Cambodia is microfinance institution Acleda bank.

‘Acleda is the largest graduate recruiter in Cambodia, which shows how important microfinance is in economies of the region. We have been investing in it for many years and it has developed nicely into one of the big brands in Cambodia.’

He said in other countries such as Tanzania or Georgia an important player is Finca bank, which has headquarters in the US along with a global network.

‘Finca bank provides financial services and gives loans to local SMEs, which are usually the biggest job creators.’

Climate change adaptation

Scheurle said one of the biggest trends in microfinance is climate-linked insurance. The asset manager added that the poorest people will suffer the most from the climate change, and although it is too late to turn the situation around, you still can find mechanisms to adapt to it.

‘We work with NASA satellite data to assess the weather and link the insurance pay out directly to the weather which is observed by satellites. That makes it very efficient and affordable for low income households.’

On the climate mitigation side BlueOrchard is developing a mandate together with KfW and the German government called the climate insurance fund, which invests in insurance companies in emerging markets in order to develop affordable micro insurance products for farmers and low income households which are exposed to the climate change

‘It is a public private partnership so private investors have the opportunity to invest alongside with German government. They also motivate private investors allowing so-called first loss investment, where if there are any losses in the fund then the first loss investors will absorb these losses up to a certain extent.’

Eyes on Africa

BlueOrchard has its main offices in Switzerland, but it also has a presence in Luxembourg, Lima, Nairobi, Phnom Penh and Tbilisi. Scheurle says international expertise helps to stay on top of the latest developments in the market.

‘In order to be successful in our industry it is essential to have a network of local legal advisers for the legal review of investment documents, that is one way how we leverage our local presence.’

When it comes to the most improved regions in terms of sustainable and microfinance the asset manager names Africa as a promising upcoming player.

He said Kenya it is a great example of a country showing innovation, with 90% of GDP is traded or payed through a mobile payment system called M-Pesa.

‘Two years ago I went to Nairobi to visit our local team and took the taxi from the airport. When I wanted to pay with cash the taxi driver showed me a nine-digit number for a mobile M-Pesa payment. It demonstrates how significantly they improved and how tech savvy they are.’

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