



BUSINESS INSIGHT

AMERICAN CHAMBER OF COMMERCE IN THE KYRGYZ REPUBLIC





SOCIAL MEDIA



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#SupportTogether Charity Campaign to aid regional doctors



On July 15, 2020, the American Chamber of Commerce launched a #SupportTogether fundraising campaign, aimed at supporting hospitals in the regions of Kyrgyzstan. AmCham member companies and private individuals immediately reacted and contributed to the campaign.

The total amount collected came up to 705,507 som.

This amount was used to purchase medical aid as per hospital needs, in the form germicidal lamps, FFP3 respirators, PPE, protective glasses and face shields.

The aid was distributed and handed over to the following hospitals in the Kyrgyz Republic:

1. Naryn Regional Hospital
2. Batken Regional Family Medicine Center (with further distribution to the cities of Isfana, Kyzyl-Kiya and Kadamzhai)
3. Jalal-Abad Regional Clinical Hospital (with further distribution to the Regional Maternity Hospital of the Jalal-Abad region, the Infectious Diseases Department of Jalal-Abad Regional Clinical Hospital and the new Infectious Diseases Hospital based at “Rosinka” Kindergarten)
4. Kara-Kul Municipal Hospital
5. Issyk-Kul Regional Hospital

AmCham would like to sincerely thank everyone who contributed to the humanitarian aid campaign. These include the following AmCham member companies: Kant TSP, Hyatt Regency Bishkek, Navigator Group, Freedom Finance, LEX Law Firm, Toyboss, Food Dream (TM KFC), as well as private sponsors: Aida Mambetalieva, Iolanta Mura, and other compassionate individuals.

Economist KG and KICB also made significant contributions to the implementation of the initiative.

AmCham would also like to thank US Ambassador Donald Lu for his support in the form of a video message.

We wish everyone good health and all the best! Take care of yourselves and your loved ones!





*Executive Director of the American Chamber of Commerce in Kyrgyzstan Zarina Chekirbaeva took part in the live broadcast of the **kaktus.media** portal. She spoke about the current investment climate and how it may be possible to attract investments into Kyrgyzstan.*

- Do you have data on investment changes in the first half of 2020?

- There is still no official data for the first half of the year. But according to the data of the National Statistical Committee for the first quarter of 2020, the inflow of foreign direct investment into the Kyrgyz Republic decreased by 16.1%, constitutes over \$148 million in figures. I am certain, and my colleagues will agree with me, that these actual data are much higher than the official ones. These data concern the period up to March, when there was some growth in the economy still observed, but in general, for the first half of the year, the figure of the decrease in investment inflows will be much higher, given the freeze of many sectors of the economy since the end of March up to date.

- Do you associate this with the pandemic or do you think there are some other factors?

- The pandemic has played a decisive role since the end of March 2020, when first the emergency situation regime was introduced in Kyrgyzstan, then the state of emergency. Many sectors of the economy were frozen: tourism, HORECA (restaurant and hotel business), services, construction and many others. Economic activity has not yet resumed; business has not returned to its

Interview with the Executive Director of AmCham in Kyrgyzstan on how to attract investment

normal mode of operation. 2020 will definitely see a big downturn in the economy.

The same is also forecast by our government and the international financial institutions. Moreover, Kyrgyzstan is experiencing the largest decline in comparison with the neighboring countries in Central Asia.

- In general, over the past 2-3 years, what changes in the investment climate do you see?

- I will not say that the situation has worsened, but unfortunately it has not improved either. There are many reasons for this. Our judicial system is not independent nor objective. When a business enterprise decides to defend its interests in court in disputes with government agencies, the decision is often rendered in favor of the state budget. In tax disputes, almost everything is decided in favor of the state budget. Many entrepreneurs are also complaining about pressure from law enforcement agencies - these include the State Service for Combating Economic Crimes (Financial Police), the State Committee for National Security, and the Prosecutor's Office. The President himself has repeatedly voiced this fact at various platforms with the participation of the above state bodies. In general, unfortunately, I do not observe any significant changes.

I also do not see a unified investment policy in our country. Each government agency is working on its own, and there is no coordination or a unified program of actions.

Recently, I was raising questions related to construction on behalf of AmCham. There are many problems associated with obtaining a construction permit, harmonization of documents, obtaining licenses. This bureaucracy takes up to two years in Kyrgyzstan.

This bureaucracy takes up to two years, while in Georgia the same issues with permits are resolved in ten days.

The inflow of foreign direct investment is observed in the same industries as in the past, i.e. into the manufacturing, mining, and financial mediation sectors. Canada, Turkey, Russia and China remain the main countries, from which these investments are flowing in. As you can see, there is no great diversity among countries that are interested to invest in Kyrgyzstan.

In the "Doing Business" international ranking on the ease of doing business in 2020, Kyrgyzstan fell by 10 positions from the 70th to the 80th spot. In 2010, Kyrgyzstan was on the 41st spot.

- On the world level, the struggle for financial resources has intensified in connection with the global economic crisis. It is clear that Kyrgyzstan needs to act even more actively in order to attract investors. Do you generally observe any one clear-cut investment policy pursued by the government? We don't, for instance.

- Unfortunately, we do not have a unified investment policy. In the 90s, after the collapse of the USSR, when many countries switched to the market economy, the CIS countries fought for funding from the outside. Currently, there is also great competition for funds, that is, for investments.

Today, the winners will include those countries that provide the most favorable conditions for investors.

In Uzbekistan, which opened up for foreign trade and investment thanks to the country's President Shavkat Mirziyoev, there is a vast influx of foreign investment. At the same time, we observe an outflow of investments from Kyrgyzstan into Uzbekistan only because the investors were offered more favorable conditions for doing business.

International rankings for doing business are of great importance to potential investors.

And it is very important not only to maintain one's ranking, but to work regularly on improving one's positions in it. Uzbekistan is trying to become the leader in Central Asia at the present time. In this regard, the competition is very strong and Kyrgyzstan ought to begin to ponder.

- In your opinion, which industries could become the locomotive for attracting investments and why?

- The **mining industry** still remains the locomotive. But the industry itself has a lot of internal problems: obtaining licenses, protecting investors, endless international disputes between companies and the state, conflicts with the local population.

The **tourism sector**, where tens of thousands of our citizens are employed, is one of the

most promising industries due to our rich nature. It is very unfortunate that we do not utilize the full potential; do not create conditions for its development; we invest the least into this sector but expect the most than from all other sectors.

We must consider tourism not in the traditional format as we are used to, but in a more creative way.

For example, in the same Georgia there is a state body identical to our Agency for Attracting Investments. Its management purposefully travels to Hollywood and meets with directors in order to agree for them to shoot films in Georgia. A couple of years ago, thanks to two Hollywood films filmed in Georgia, the state budget was replenished by \$4 million. This figure has doubled in the last year.

We are not promoting our country globally through such international media channels as National Geographic, BBC and others.

We do not display our domestic designers on the covers of international magazines.

The promotion of our country at the international level should become a vital part of the investment policy. But at the same time, we must also provide commensurate conditions.

Agriculture is one of the most promising sectors, which also does not utilize its full potential. During a meeting with our entrepreneurs, the Minister of Trade and Industry of the Government of Singapore, Mr. Kuhn, said that Kyrgyzstan ought to learn to create added value for its agricultural products. It is more profitable than exporting it raw at low prices. He shared the experience of his country, where nothing grows. Singapore buys raw products from abroad, processes and packs them at a proper level, and then resells them at several-fold higher prices. As for our case, we see all our agricultural products being exported as is.

Furthermore, we must not forget that Kyrgyzstan is rich in **human resources**. Nowadays, great emphasis is being placed on IT, but at the same time IT companies are complaining about the lack of IT specialists. They often have to recruit future employees from among 3rd-4th year university students and then train them.

An excellent example of attracting global IT companies is demonstrated by the Czech Republic, which provides tax incentives to IT companies and constantly lures them in with the most favorable conditions. For instance, the world famous company Amazon alone immediately provided 7 thousand people with jobs, having just entered the market.

- What needs to be done to attract investors – both internal or external - specifically into these sectors?

- There are many factors that we must work on. The government must have a clear vision of the country's development, the underlying priorities that take into account contemporary realities and the era of high technologies. We must show that our laws work. Investors need to know they will be protected by law. Kyrgyzstan has a lot of disputes under consideration of the international arbitration courts. This is a bad indicator for the investment climate.

Often times, companies are left to deal face-to-face with the local population, while the government does not interfere in this process, despite the fact that the agreement was signed between the company and the state.

Investors will go where they are provided with the best conditions and where the state representatives will take responsibility for the decisions made. In our case, everybody is afraid to make decisions and then be punished for those decisions.

The most important thing is that there must be the political will to achieve good results.

A meeting of AmCham members and partners with the Business Ombudsman Institute of the Kyrgyz Republic

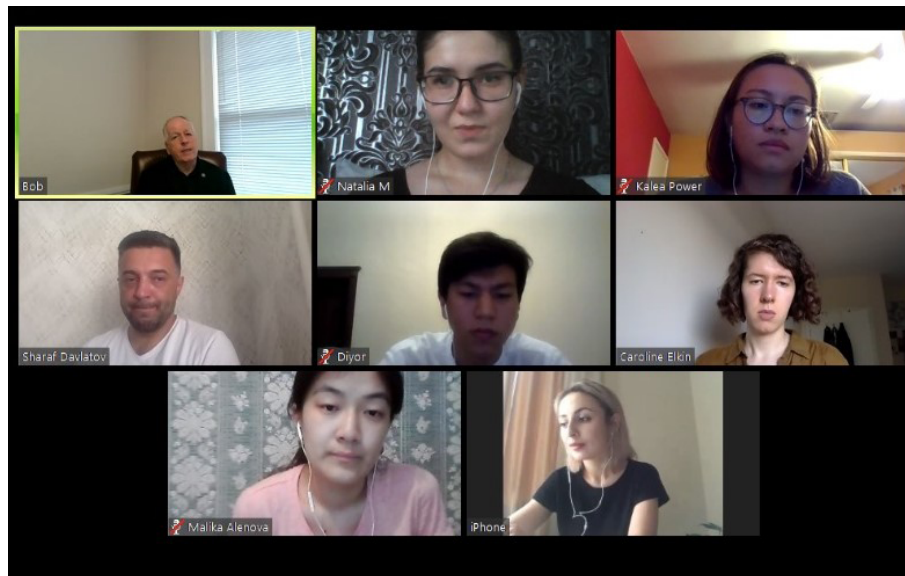


On July 7, 2020, AmCham members, partners, and heads of business associations had a meeting with the Business Ombudsman Institute of the Kyrgyz Republic.

The Business Ombudsman Mr. Robin Ord-Smith, his deputy Nurlan Musuraliev and the Institute's specialists spoke about the organization's activity, the process of submitting applications, and answered AmCham members' questions.

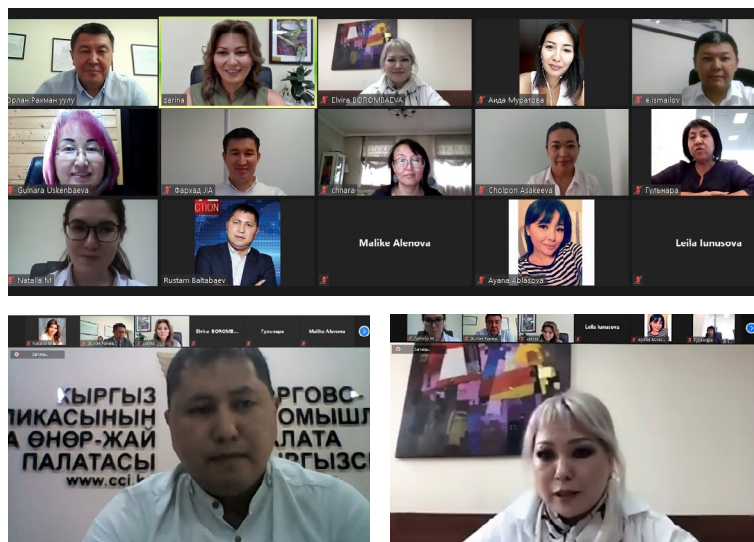
AmCham would like to sincerely thank Mr. Robin Ord-Smith and his team for the initiative to hold such a helpful and interesting meeting!

AmCham staff members participate in trainings by CIPE



The staff members of the American Chamber of Commerce in the Kyrgyz Republic are participating in specially designed trainings from the Center for International Private Enterprise (CIPE). The online trainings are aimed at sharing experiences and transferring best practices from the worldwide US Chamber network.

The following topics are being discussed on the seminars: advocacy, organization of events, AmCham membership benefits, post-covid recovery and other.



Fifth meeting of the AmCham working group under the Ministry of Economy of the Kyrgyz Republic

On August 26, 2020, the fifth meeting of the AmCham working group under the Ministry of Economy of the Kyrgyz Republic was held under the chairmanship of Deputy Minister Sultan Akhmatov.

Members of the American Chamber of Commerce and heads of the business associations attended this meeting. Participants raised and discussed the questions on Issues related to unjustified actions of the State Tax Service during a pandemic, guarantees of protection of property rights of foreign investors, development of the banking sector in the FEZ, as well as preferential lending to small and medium-sized businesses.

We thank all the participants, as well as the Ministry of Economy for taking part at an important and useful meeting!

Online meeting with the mentees of the “AmCham Mentors Club”



On July 9, 2020, AmCham Executive Director Zarina Chekirbaeva held an online meeting with the mentees of the “AmCham Mentors Club” project.

The participants shared their stories and impressions of working with mentors, received valuable advice from the organizers and other mentees.

AmCham thanks all mentees for sincerity, as well as mentors of the project who, despite the difficult situation and the workload, continue to participate at online meetings with their mentees and support them at personal and professional level!

An Online Contest for AmCham members with prizes from KFC, Toyboss and Navigator Group



In July, AmCham held a contest among AmCham members who took part in the survey to improve the quality of AmCham’s online events. Cool prizes were generously provided by Navigator Group, Toyboss and KFC.

*Our congratulations to the winners who have already received their prizes!
We appreciate your contribution to the development of AmCham.*

RENDERING ASSISTANCE TO THE MEDICAL INSTITUTIONS



KICB is providing assistance to healthcare institutions

Kyrgyz Investment and Credit Bank (KICB), member of the Union of Banks of Kyrgyzstan, donated special medical equipment including 6 facilities for artificial pulmonary ventilation, 100 oxygen concentrators and 1,000 pulse oximeters, to healthcare institutions in all regions of the Kyrgyz Republic.

This equipment was dispatched to all regions and will be handed over to the regional coordinators of the Ministry of Health for distribution among regional and district hospitals, POSs (Paramedic-Obstetrician Stations), in accordance with Ministry-approved lists.

KICB regularly allocates funds to finance activities to combat coronavirus, to provide the health sector and healthcare workers with the necessary medical equipment and personal protective gear. KICB

distributed part of the purchased equipment to Chuy Regional Center of Family Medicine. Further distribution of equipment among other healthcare institutions of Chuy region will be carried out according to approved lists.

Earlier, KICB provided assistance in the amount exceeding KGS 3.5 million to finance measures to prevent the spread of coronavirus.

The Bank will continue to make its contribution to the prevention of the spread of coronavirus infection, as only joint efforts can help us overcome!

KICB requests its clients to comply with all the recommended measures, and wherever possible, to use remote banking services.

Coca-Cola continues to support healthcare staff



The company continues to actively support healthcare staff and other services involved in the fight against the pandemic. To date, it has donated more than 20 thousand liters of water and other beverages in all regions of Kyrgyzstan, with cooperation from the Ministry of Health, local authorities, and the Red Crescent Society. Moreover, the

company's employees collected more than 100,000 KGS and donated it to the volunteer movement for the purchase of necessary equipment and drugs for the hospitals in the regions. They are also donating their monthly drinks to physicians during the upcoming three months.

“Bank of Asia” CJSC allocated KGS 1.5 million to fight COVID-19



In honor of the Kyrgyzstan Healthcare Worker Day and to quickly stabilize the coronavirus pandemic in the country, “Bank of Asia” CJSC allocated targeted assistance to the Kyrgyz State Medical Academy in the amount of 1,500,000 som for the organization of a hospital for the treatment of COVID-19 patients in Bishkek, the purchase of vital medical equipment, medical products, medications, and support of healthcare staff.

In addition, the Bank’s Management cares and provides the needed medications for its employees who are sick with COVID-19, pneumonia and common colds. Moreover, the Bank’s branches are regularly disinfected and provided with antiseptics, and the staff is supplied all the necessary protective gear. In fact, the health of employees and customers is considered to be above all else.

In the current situation, it is impossible to remain on the sidelines. Only by joining forces can we resist the global epidemiological threat, stop the spread of infection, and return to normal life.



UCA Distributes Food and Supplies to Tosh-Bulak District on Eid

Eid festivities in the district of Tosh-Bulak in Naryn received a welcome surprise when the University of Central Asia (UCA) brought care packages containing food, hand sanitizers, masks, and other supplies on August 1 to 30 vulnerable families identified by the Mayor of Naryn. Previously UCA provided food and medical supplies to 500 vulnerable families, and protective suits and medicines to frontline workers at Naryn Hospital.

The establishment of UCA in Naryn, at an investment of over US\$100 million, has resulted in significant social economic development in the region, and Naryn is rapidly becoming a university town. Erkin Asanaliev, Team Leader of the Youth Initiative Group in Tosh-Bulak, said that he is looking forward to continued support from UCA and expressed gratitude for the employment opportunities provided to local residents on campus, as well as during the construction of the buildings.

Read the full story: <https://bit.ly/ToshBulakAid>



Sky Mobile (Beeline trademark) celebrates its 22nd anniversary in the Kyrgyz market

On August 1, 1998, the very first mobile call in Kyrgyzstan was made within the Bitel network, which was later re-branded as Beeline. In 2010, the company joined the VEON Ltd group of companies.

Today, Beeline provides GSM-900/1800, 3G, and 4G cellular network services, and constantly improves the quality of the services provided, placing special focus on digital products.

Instead of celebrations, Beeline is focusing on tackling the coronavirus in the regions and provinces of the country. In August, oxygen concentrators will be transported to regional healthcare institutions. Furthermore, at the request of those healthcare

institutions, necessary PPE, masks, gloves, etc., will be purchased and handed over.

Beeline earlier transferred KGS 1 million to the special account of the Ministry of Labor and Social Development in order to provide aid to families, who found themselves in dire need during the emergency period.

Beeline expresses its immense gratitude to the agencies and companies that provide support to the people of Kyrgyzstan, as well as to caring citizens, who do not wish to be indifferent and risk their lives carrying out work against the coronavirus in the frontlines.

Visa and Alif bank announce strategic partnership to develop a digital payment ecosystem in Tajikistan



Visa, the world's leader in digital payments, and Alif Bank, a Central Asian neobank headquartered in Tajikistan, announced that they have signed a strategic partnership agreement to develop a digital payment ecosystem in Tajikistan.

The partners have committed to jointly develop innovative, secure and user-centric payment solutions using Visa's cutting-edge technologies and products, as well as implement joint marketing initiatives to drive awareness about advantages of electronic payments, and enable greater financial inclusion.

Yevgen Lisnyak, Senior Director and Head of Strategic Partnerships, Fintech & Ventures, Visa, CISSEE, added: "Combining Visa's global expertise in payment solutions with Alif Bank's knowledge of the local environment, we can bring real value and entirely new digital banking experience to the consumers. We're excited to support Alif Bank in their ambitions to digitalize payments in the country."

Kazakh Post and Visa launch the first in CISSEE region "Visa Tap to Phone" commercial project - an acceptance solution that allow to transform smart phones into POS-terminals to accept contactless payments



Kazakh Post and Visa announced the launch of the first in CISSEE region Visa Tap to Phone commercial project under the POS Mobile brand.

Visa Tap to Phone transforms Android-based NFC smartphone into a POS-terminal capable of accepting contactless payments without any additional equipment. Now that the solution is commercially available, thousands of small and medium-sized merchants in Kazakhstan can easily start accepting contactless payments by installing POS Mobile app on their smartphone.

Aliya Chynybayeva, Visa Country Manager for Central Asia: "We see great potential for Visa Tap to Phone roll-out in Kazakhstan. Visa Tap to Phone is precisely designed to help expand the capabilities for merchants to accept contactless payments and for consumers to pay quickly and securely".



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КЫЯЛ**

до
13%

Лицензия НБКР №051

The “Kiyal” deposit from FINCA Bank

FINCA Bank has launched a new product – “Women’s deposit Kiyal” (“Dream”).

The clients who open Kiyal deposit can receive 3% bonus, provided that they top up their deposit regularly according to the schedule established in advance.

New achievements and projects from “Lights Creative Group”

The Lights Creative Group is delighted to inform everyone that in July 2020 the company received 2 silver buttons on the “It Happens” (teen videos) and “Toddler Town Deutsche” (kids cartoons) channels. In addition, the company is now launching a unique animation training project in cooperation with Mol Bulak microcredit company.

The Group is currently beginning to shoot an important video series about a progressive, intelligent and successful guy who, being on vacation at home, has to sacrifice a successful career, comfort and friendship for the sake of positive changes in his country.

Grant Thornton Kyrgyzstan and the Academy of Public Administration under the President of the Kyrgyz Republic signed a Cooperation Agreement



Within the framework of the Agreement, the Parties intend to engage in joint development and implementation of educational programs, advanced training of teachers and students of the Academy.

In addition, excellent undergraduate and graduate students of the Faculties of Economics, Finance and Accounting of the Academy will have the opportunity to undergo internship with further employment in Grant Thornton Kyrgyzstan.

Grant Thornton Kyrgyzstan starts a series of publications on the main differences between IFRS and AAOIFI FAS

Grant Thornton Kyrgyzstan starts a series of publications on the main differences between IFRS and AAOIFI FAS. Upon completion of the publications, it is also planned to hold a webinar for employees of organizations and students of the Academy of Public Administration under the President of the Kyrgyz Republic.

Subscribe to Facebook page to keep track of publications and the latest research.





Green Light - 7 years of company's existence, 14 years in the industry

14 years ago a group of ambitious and initiative students from different IT departments decided to work and develop together in the IT industry. It was a team that learned everything on hands-on practice and gained experience in implementing small IT projects. That is how the Green Light company was born.

Today, the company has officially turned 7 years of age. During this time, Green Light has implemented more than 100 complex IT projects, has built IT infrastructure for many leading banks and companies from the list of top-100 largest organizations in Kyrgyzstan.

The chronology of significant events:

- August 1, 2013 – the official date of establishment of the Green Light company;
- 2016 – a representative office is opened in Tajikistan;
- 2017 – launch of Green Light Training Center; an IT Expert from Saint Petersburg is appointed as its Head;
- 2018 – a representative office is opened in Kazakhstan;
- 2019 – a representative office is opened in Uzbekistan.

The Green Light's portfolio of partners includes the world's biggest IT companies, such as Cisco Systems, IBM, Dell EMC, Check Point, Oracle, and others.

The strategic agenda of Green Light includes the introduction of innovations for the development of the IT market not only in Kyrgyzstan but also in Central Asia, as well as training qualified personnel for the future world.

Standard Poor's has confirmed the ratings to brokerage companies affiliated with Freedom Holding Corp.

Standard Poor's - the creator and editor of the S&P 500 stock index - has confirmed its long-term and short-term credit ratings "B- B" with a "Stable" outlook for its market participants - Freedom Finance JSC and Freedom Finance IC LLC.

Timur Turlov, CEO of Freedom Holding Corp.:

"The confirmation of the rating with a "stable" outlook for the main brokerage companies of the holding is very important for us, as it indicates that we are stable in our development. Freedom Holding Corp. does its job qualitatively to maintain stable funding and liquidity indicators, as well as to maintain all key ratios at the required level. We see the results of our work in the growing capitalization - in June it exceeded USD1 billion, as well as in the growth of interest from Western investment funds, which are increasing their positions in FRHC shares."

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Now you can start without leaving your home.

**Open an account online by leaving a request at the number:
7555 (free for all mobile operators of the Kyrgyz Republic)**



KPMG in Kazakhstan and Central Asia holds the International KPMG Online Chess Championship



On July 11, KPMG in Kazakhstan and Central Asia hosted the International KPMG Online Chess Championship, which was held at the chess.com platform. 30 corporate teams from Kazakhstan, Kyrgyzstan, and Uzbekistan competed for the title of champion of the 17th KPMG chess season.

Based on the results of nine rounds, **gold** went to the Eurasian Resources Group team, **silver** to MegaCom team from Kyrgyzstan, and CentreCredit Bank JSC team won **bronze**. We are pleased to note that the KPMG Corporate Chess Team in Kazakhstan was ranked fifth among the 30 participating teams. The team from KPMG in Uzbekistan also took part in the championship.

“On July 11 we held the International KPMG Online Chess Championship for the first time in 17 years of the competition. I would like to thank the Kazakhstan Chess Federation for supporting our event! Congratulations to the winners, and we hope that each one of the 90 participants enjoyed the game. As for KPMG, we will be happy to further continue the tradition of promoting this intellectual type of sports in Central Asia,” commented **Saken Zhumashev**, Managing Partner of KPMG in Kazakhstan and Central Asia.

Kompanion Bank has purchased medical equipment in the amount of KGS 4 million

In these troubled times for the country, to provide timely support to the healthcare system of Kyrgyzstan, Kompanion Bank has purchased the most needed medical equipment in the amount of KGS 4 million. Part of the equipment provided to the National Hospital under the Ministry of Health of the Kyrgyz Republic. The remaining equipment distributed between the regions of Kyrgyzstan

and will be donated to local hospitals. The support has been provided on a non-reimbursable basis.

As part of yet another charity initiative, Kompanion Bank has purchased 65 oxygen concentrators for 28 medical institutions that will help provide additional oxygen supply to ensure the uninterrupted functioning of the

respiratory system of patients, and the same number of pulse oximeters for a diagnostic assessment of oxygen saturation of the blood.

In addition, in April Kompanion Bank donated KGS 2 million to combat the COVID-19 infection by contributing funds to the official account of the KR Ministry of Health.

How to top up any russian card via your Kompanion Wallet?

Kompanion Bank continues to share the unique capabilities of Kompanion e-wallet.

By expanding digital service channels, Kompanion Bank presents the new Kompanion Wallet feature — **Replenishment of Russian payment cards (Visa, Mastercard, MIR) via Kompanion Wallet**.

Funds are credited instantly. The service is available for all users 24/7. To top up a card, a sender only needs to know a card number of a receiver in Russia and be an identified Kompanion Wallet user (download it for free on Google Play or the AppStore). To sign up, enter your phone number.

How to top up a card of a receiver in Russia from Kyrgyzstan via Kompanion Wallet?

1. Open the home page of your Kompanion Wallet, tap “Finance” or type “Replenishment of Russian cards” in the search bar;
2. Next, scroll down and tap “Replenishment of Russian cards”;
3. Enter **card number**, **amount** and tap “Next.”

More about Kompanion Wallet:

For details, call 0 (312) 33-88-00 or 88 00 (toll-free for mobile in KR), or head over to Kompanion Bank's official website: www.kompanion.kg.



BUSINESS RESILIENCE: Rethinking resilience in recovery

The mid-market's perceived resilience and agility might have helped it deal with the massive shock of the COVID-19 pandemic. Will this same resilience transfer to the next phase of the crisis as economies begin to reopen?

The COVID-19 pandemic, subsequent lockdown and resulting economic shock have tested business in entirely unprecedented ways, and their impact is likely to be felt for years to come. But, against this backdrop, IBR data finds the global mid-market to be relatively upbeat.

Although more than 65% of mid-market businesses said COVID-19 would hit their 2020 revenues, the data suggests the impacts on the mid-market fall short of the worst predictions of the wider economy. By comparison – and in findings that are common across other sentiment surveys of all sizes of firm – CNBC's Global Q2 CFO Council Survey reported that 88% of CFOs expect a 'negative' or 'very negative' impact to their businesses.

While the pandemic's impact has been significant, less than 2% of IBR respondents said they expect to cease trading as a result of it. Globally, one in three businesses expect to continue trading based on their existing financial situation, while 38% said they can continue to trade using existing funds but would need to cut costs and/or restructure. Just under 20% said they would need to supplement cost-cutting and restructuring with access to new funding from lenders, investors or government grants.

The data suggests many mid-market businesses have met the crisis with the resilience previously identified as a characteristic of this sector. As we examine how the crisis has affected business, we explore the strategic decisions taken pre-crisis that have aided this resilience and consider what companies are doing to get ready for recovery.

The mid-market was quick to react to the crisis

In results that support the notion of agility in the mid-market, IBR data found that most mid-market businesses took decisive steps to deal with the economic effects of the pandemic.

Nearly half (47%) had made significant and fundamental changes by adjusting their business strategy to meet the transformative nature of the new trading environment. Generally, companies were more likely to change strategy in sectors where significant revenue losses were expected.

Cash-flow management has been critical – and remains so. Governments were quick to offer support, and businesses mainly preferred to seek government assistance over external finance. This was probably due to the more favourable terms of government finance encouraging firms to use such schemes, even if their business remained financially viable. Globally, just under 33% of firms applied for government grants and 30% sought tax concessions.

For the most part, businesses took a multi-pronged approach to ensure liquidity. Just under 30% of companies swept idle cash into working capital or drew down on banking facilities. More than 26% spoke to lenders about new credit, and around 24% negotiated with their customers to get them to pay early. Developed APAC stood out as taking fewer actions around cash management than other regions. In contrast, more emerging APAC businesses embraced the full gamut of options available to them.

Given the nature of the pandemic, it's little surprise that over half of businesses implemented flexible working, with professional and

financial services companies able to take these steps more easily. Meanwhile, around 30% of firms globally reduced labour costs through cutting pay, staff or both, and reduced or suspended some operations. In some cases, these actions were forced by lockdowns; for example, in the consumer products sector, more than one third of firms reduced capacity as many countries enforced shutdowns on non-essential retail.

Resilience has become a priority of strategy

The crisis has alerted businesses to the need for future crisis management, the application of technology and digital transformation for ensuring continuity and the need for improved organisational flexibility. Some impacts of the pandemic will be permanent, with more than a quarter of businesses believing they would make some fundamental changes to their products and services in the future. The travel and tourism, Technology, Media and Telecommunications (TMT) and mining sectors all said this was a focus area for change in the future.

More than one third of businesses globally, and particularly in the agriculture and manufacturing sectors, cited supply-chain resilience as critical to future strategy. The impacts on China highlighted the issue for global automotive and electronic manufacturing early on in the crisis. A similar number of businesses are already reviewing existing suppliers and making plans to mobilise supply chains in preparation for recovery.

Among sectors that were most responsive to the pandemic, the oil and gas sector was very active. In response to a sharp decline in fossil fuel prices and demand, it reported high values across the range of potential actions available. Professional services were similarly active, while utilities – possibly being less affected by lockdowns through performing essential business – were among the least reactive sectors in the economy.

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Global lockdowns are already relaxing in many jurisdictions, while restrictions are beginning, or are poised, to ease elsewhere, and leaders are looking towards a recovery phase. But the transition out of a crisis is often the most vulnerable period for an organisation. Ramping up purchasing orders and building inventories can quickly overstretch businesses and drain liquidity as they spend more to get back on to a 'normal' or growth footing.

Cash flow will remain a critical concern for many companies as they enter this new phase. More than 40% of businesses globally said they have started planning for financial resources to help them through recovery. The withdrawal of government support and tapering of programmes such as furlough will leave businesses more exposed, and they will also be factoring into their plans the payment of taxes and VAT that were deferred in some countries after the pandemic hit.

With the crisis far from over, nearly 50% of businesses globally are already considering workplace safety plans. When and how employees return to work will be crucial to preventing, mitigating or working through a second wave outbreak.

But there are encouraging signs that the resilience and agility that has been a hallmark of the mid-market through the pandemic are now being applied to this next phase. In preparation for recovery, many businesses are looking into how to better use scenario planning and grappling with people and leadership challenges.

Businesses are also thinking hard about how they focus their resources to ensure stable and profitable recovery through a turbulent economy. More than 40% said they have started identifying which customers and markets to prioritise as well as which products and services will best sustain them.

The new resilience

The global pandemic and the resulting lockdown have tested the mid-market like no other event in living memory. Many businesses have shown remarkable adaptability. Those organisations that were most prepared have fared more positively through the worst of the crisis. Similarly, as the global economy enters a new phase, vigilance and agility will be critical. Cash-flow management must remain a focus to avoid business failures. Meanwhile, operational flexibility, robust technology and careful planning for myriad potential scenarios ahead will be vital to not only protecting businesses but helping them grow.

Speak to a Grant Thornton adviser to discuss how you can strengthen business resilience in these challenging times



MEMBERS OF THE AMERICAN CHAMBER OF COMMERCE IN THE KYRGYZ REPUBLIC



Contact us:
+996 (312) 62 33 89, 62 33 95
pa@amcham.kg
www.amcham.kg

Address:
191 Abdrakhmanov Str.,
Hyatt Regency Bishkek, office #123
Bishkek, Kyrgyz Republic, 720011