The Impact of COVID-19 on Foreign Investors:

Evidence from the Quarterly Global MNE Pulse Survey for the Fourth Quarter of 2020

March 2021

WORLD BANK GROUP

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Key Findings

1. **The adverse effects of the pandemic were still being felt in the fourth quarter (October to December) of 2020, although the situation is gradually improving.** Overall, 93 percent of the surveyed affiliates of multinational enterprises (MNEs) in developing countries reported being adversely affected on at least one business dimension in the fourth quarter of 2020, compared to 97 percent over the previous quarter. MNEs in the manufacturing sector continued to be more negatively affected than those in services, a trend largely driven by weak demand and lingering supply chain disruptions. All affiliates based in the Middle East and North Africa and East Asia and Pacific were adversely affected on at least one dimension.
2. **Looking back on 2020 overall, the large majority of MNE affiliates (86 percent) reported that their operations and financial performance were less disrupted over the second half of 2020, pointing to a gradual improvement throughout the course of the year.** Improvement in market conditions, easing of supply chain challenges, and more government support were key factors driving better performance of MNE affiliates in the second half of 2020.
3. **In the past year, MNEs have increased adoption of new technologies, as well as measures to increase environmental sustainability.** Around 90 percent reported deploying new digital solutions to manage supply chains and engage with customers in response to the pandemic, while three-quarters took steps to increase the sustainability of their products and services. There is evidence that affiliates of MNEs headquartered in developed countries were more likely to deploy advanced technologies such as automation.
4. **Improving economic conditions have translated into a less negative outlook for future investment by MNEs, with limited plans for a significant reorganization of investment locations and supply chain structures.** Very few MNE affiliates expect to reduce investment in their host countries in the next 1-3 years. Three-quarters expect to maintain their current level of investment, and 17 percent expect to increase investment.
5. **Government policies continue to play a critical role in MNEs' ability to weather the crisis and they are shaping the prospects for the future of foreign investment.** In this survey round, more than half of MNE affiliates reported some positive changes in their host countries' regulatory environment for investment, possibly reflecting the lifting of pandemic-related investment barriers. Notably, MNE affiliates that expect their parent company to invest more in the host economy in the coming years most commonly identify expected or realized changes in the investment policy environment as a driver of their expansion plans.

Introduction

From the outset of the COVID-19 pandemic in early 2020, it was clear that uneven public sector capacity, resources, and resolve in countries would play an important role in determining the course of the ensuing health, social, and economic crises.[1]

Since then, a year of experience has shown that the course of the pandemic is unpredictable. While the rollout of vaccinations is a cause for optimism that the end of the pandemic may be around the corner, access remains uneven and progress mixed. As a result, there is tremendous uncertainty about the abatement of crises and prospects of a global recovery within and across countries (IMF 2021).[2] This mix of uncertainty and optimism could well define the "new normal" in 2021.

In this environment, multinational enterprises (MNEs) have been forced to weather a long-lasting economic downturn while also anticipating the restart of their disrupted activities. Given the importance of foreign direct investment (FDI) to the prospects for economic recovery—especially for developing countries—the World Bank Group's Global Investment Climate Unit is conducting quarterly pulse surveys of MNE affiliates to gauge the pandemic's effect on foreign investors.[3] The surveys aim to provide insight into the impacts of the pandemic on foreign investors, as well as how their plans and strategies are evolving.

ABOUT THE SURVEY[4]

The survey was administrated online from February 5 to March 4, 2021. The resulting sample comprises 329 MNE affiliates (companies with full or partial foreign owners) across 37 developing countries. The sample was evenly distributed across the 6 developing regions following the World Bank Group taxonomy, and manufacturing and services sectors in each region.

A fourth round of the quarterly pulse survey, reflecting the last quarter of 2020, was administered in February 2021. This round of the survey included new questions reflecting on 2020 as a whole, and the impacts of the crisis on technology adoption and environmental sustainability trends.

The report's findings will help provide policy makers and businesses with an updated picture of the effects of the COVID-19 crisis on MNEs and the global outlook for foreign investment.

View the data online via the MNE Pulse Survey Online Dashboard

[1] World Health Organization (WHO) Director-General's opening remarks at the media briefing on COVID-19, 11 March 2020.
[2] International Monetary Fund (IMF) World Economic Outlook Update, January 2021.
[3] Full results from prior rounds of the survey are available at: https://openknowledge.worldbank.org/handle/10986/33774 (first round); https://openknowledge.worldbank.org/handle/10986/34638 (second round); and https://openknowledge.worldbank.org/handle/10986/34924 (third round).
[4] The fourth round of the survey was conducted by EY Advisory (EY) and Euromoney PLC (Euromoney) on behalf of the World Bank Group. The authors thank Vincent Raufast, Hugo Alvarez, Clémence Marcout, Serah Adesanya, Carlos Adams, Loïc Blanc, Lawrence Bowden, Duncan Kerr, and Aura Popa for their contributions to the report.

Effects of COVID-19 on MNE Affiliates in the Fourth Quarter of 2020

The effects of pandemic were still being felt in the fourth quarter of 2020, although MNE affiliates' performance improved slightly compared to the previous quarter. Overall, 93 percent of respondents reported being adversely affected on at least one business dimension, compared to 97 percent in the previous quarter.

Demand and supply chain effects

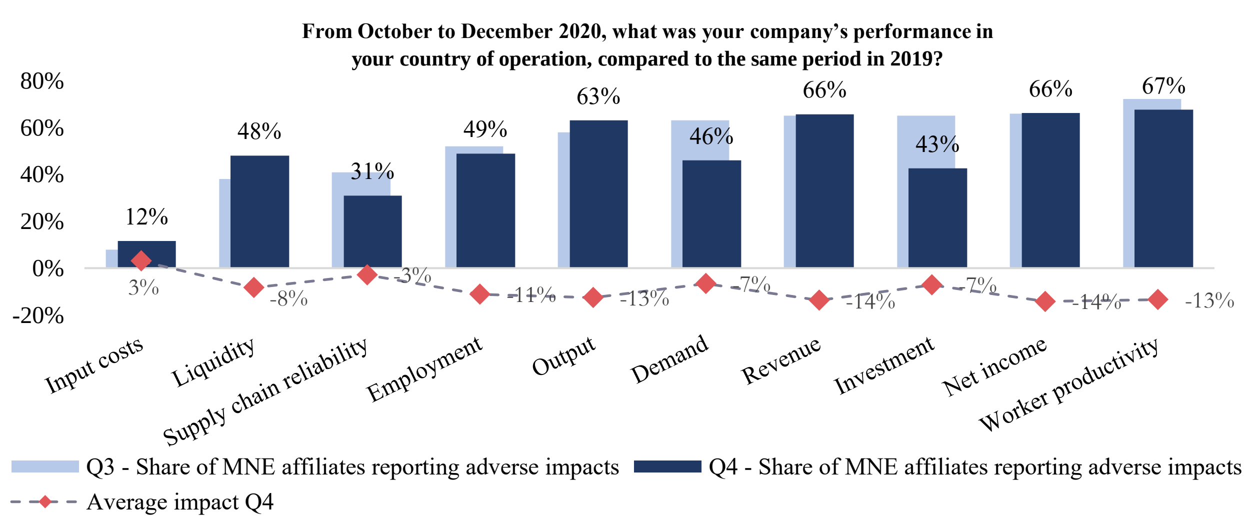
Adverse demand and supply effects continue to be widespread, but the situation improved slightly relative to the third quarter of 2020. On the demand side, 46 percent of the respondents experienced reduced demand, down from 63 percent in the third quarter (**Figure 1**). However, the average demand impact experienced across firms remains more or less the same (7 percent reduction in demand compared to 8 percent in the previous quarter).

On the supply side, supply chain issues also appear to have eased somewhat, with 31 percent of respondents experiencing adverse effects, compared to 41 percent during Q3 of 2020. Supply chains issues in the fourth quarter were mainly in the form of shortages of inputs and delays with outbound logistics (experienced by 84 percent and 61 percent respectively among respondents reporting adverse effects on their supply chain) (**Figure 2**).

The share of respondents facing elevated input costs rose, with input costs up slightly (3 percent) on average. These results suggest that the start of the recovery may have created demand shocks for some inputs as firms started to ramp up their production once more.

Firms in the manufacturing sector continued to be more adversely affected than firms in services. Demand was down for more than half of firms in the manufacturing sector (by 10 percent on average), compared to less than two fifths of those in services (4 percent on average) (**Figure 4**). This reflects that the MNE affiliates surveyed in services were primarily in subsectors such as IT and finance that have weathered the crisis well (relative to others such as hospitality).[5] Manufacturing firms were also more affected by supply chain issues.

Figure 1: Share of MNE affiliates reporting adverse impacts[6] during Q3 and Q4 2020, and average impact during Q4 2020 (N = 329)



5 https://openknowledge.worldbank.org/handle/10986/34923

6 Firms are classified as having an adverse impact if they report a negative outcome relative to 2019 (or positive for input costs).

Figure 2: Share of MNE affiliates reporting specific supply chain effects during Q4 2020 (among those experiencing adverse supply chain effects) (N=102)

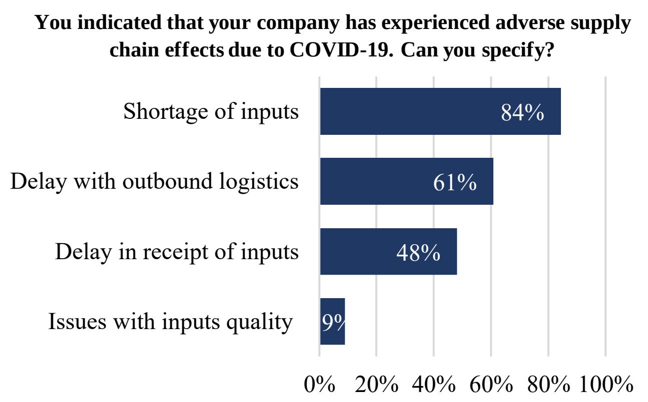
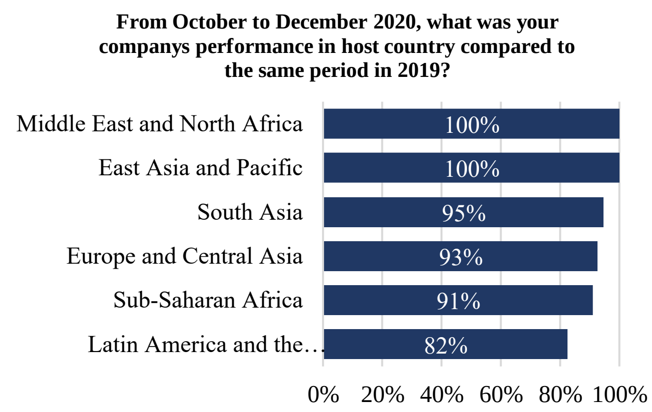


Figure 3: Share of MNE affiliates affected on at least one business dimension (e.g. output, employment, etc.) during Q4 2020 (N=329)



Investment and employment

Effects on MNE's investment appeared to ease in the fourth quarter, with 43 percent of respondents reporting reduced investment levels, down from 65 percent in the third quarter. The average magnitude of the impact on investment eased to a 7 percent reduction in Q4, compared to 12 percent in Q3. These results are consistent with the expectations of the executives surveyed in relation to the third quarter of 2020.

Two-thirds of respondents were still experiencing reduced worker productivity, and half continued to have reduced employment in the fourth quarter, with these employment impacts little changed from earlier in the year.

Employment effects were more common among smaller firms, with 55 percent of respondents with less than 250 employees reporting reduced employment, compared to 40 percent of larger firms. Reduced employment was also more common among firms with an export-oriented business model (73 percent) compared to those oriented towards their local market (39 percent).

Output, revenue, and profits

Despite the indications of improved demand, adverse impacts on output and financial performance were still widespread. Firms responding to the prior survey round indicated that they expected financial performance to improve in the fourth quarter. However, production output, revenues, and net income were all down for around two thirds of MNE affiliates, with an average decline in profit of 14 percent across the two periods, largely unchanged from the third quarter result.

In line with differences in demand, production and financial performance measures were worse in the manufacturing sector. For example, 71 percent of respondents in the manufacturing sector reported reduced output in the fourth quarter of 2020, compared to 55 percent of respondents in the services sector.

Regional differences

In every region, the vast majority of companies—ranging from 82 to 100 percent across regions—declared adverse impacts from the COVID-19 pandemic on at least one business dimension in the fourth quarter of 2020 (**Figure 3**). Firms in the Middle East and North Africa and East Asia and Pacific regions were the most likely to report any adverse impacts in the fourth quarter.

Across impact categories (**Figure 4**), several patterns of regional impacts can be identified. Supply chain impacts and elevated input costs were particularly concentrated in the East Asia and Pacific, South Asia, Middle East and North Africa, as were employment impacts. By contrast, employment impacts were fairly limited in Europe and Central Asia and in Latin America. In addition, investment was most affected for MNE affiliates in East Asia and Pacific, Middle East and North Africa and South Asia, whereas investment in Europe and Latin America was closer to normal.

Figure 4: Share of MNE affiliates reporting adverse effects of COVID-19 pandemic in Q4 2020 by sector, region, business model, and size

		Sector		Region						Business model		Company size	
	Total	Manufacturing	Services	East Asia and Pacific	South Asia	Middle East and North Africa	Sub-Saharan Africa	Europe and Central Asia	Latin America & Caribbean	Export-oriented	Market-oriented	<250 employees	>=250 emp.
Supply chain reliability	31%	37%	25%	52%	45%	44%	18%	18%	12%	48%	53%	23%	34%
Input costs	12%	15%	8%	17%	20%	10%	16%	4%	4%	14%	15%	16%	24%
Liquidity	48%	52%	44%	62%	55%	56%	41%	45%	32%	54%	56%	46%	53%
Worker productivity	67%	73%	62%	79%	73%	63%	66%	73%	51%	77%	79%	63%	70%
Investment	43%	48%	38%	62%	52%	60%	39%	20%	26%	49%	54%	40%	45%
Demand	46%	54%	38%	62%	46%	58%	32%	49%	32%	49%	53%	44%	48%
Output	63%	71%	55%	58%	54%	58%	59%	80%	68%	58%	56%	65%	61%
Employment	49%	48%	50%	85%	70%	83%	34%	15%	14%	73%	86%	39%	55%
Revenue	66%	71%	61%	60%	52%	58%	63%	85%	75%	59%	56%	69%	65%
Net income	66%	71%	62%	60%	59%	60%	66%	82%	70%	61%	59%	69%	66%
Any business dimension	93%	95%	92%	100%	95%	100%	91%	93%	82%	97%	92%	96%	90%

Note: Darker shading reflects higher intensity. For example, 37 percent of surveyed manufacturing firms experienced adverse supply chain reliability in the fourth quarter of 2020, relative to the fourth quarter of 2019.

MNE Performance and Technology Adoption Over the Course of 2020

Looking back on 2020 as a whole, MNE affiliates reported an overall improvement in financial and operational performance in the second half of 2020 relative to the first half. While many factors played a role in shaping firm performance across the year, decreased severity of lockdown orders and improvement in market conditions were the most significant factors cited by firms.

The year also saw MNE affiliates deploy a range of new strategies and technologies to adapt to the crisis and other, longer-term market trends. These included widespread uptake of digital tools and a growing focus on environmental sustainability.

Improvements in performance

Overall, 86 percent of respondents reported their company experienced better financial performance over the second half of 2020, compared to when COVID-19 first emerged (**Figure 5**). By contrast, only 8 percent reported more disruptions to their companies' operations than during the first half of 2020. Similarly, 86 percent of respondents reported their operations were less disrupted over the second half of 2020 (**Figure 6**).

These results are consistent with the quarterly results observed across four rounds of the MNE Pulse Survey. In the first and second quarterly surveys (corresponding to the first and second quarters of 2020), firms reported declines in net income of around 40 percent on average. Since then impacts have eased, with net income down by only 12-14 percent during the third and fourth quarters.

Improved performance in the second half of 2020 was experienced fairly consistently across regions. South Asia had the lowest share of respondents reporting improvement across the year, but even in this region three-quarters of firms reported that financial performance had improved, and 70 percent reported improvements in operational performance.

Drivers of improvement

When asked to rank the most important factors that drove improved performance in the second half of 2020, improvement of market conditions was selected overwhelmingly as the most important driver, cited among the top three by 58 percent of respondents and ranked the most important factor by 39 percent (**Figure 7**).

Reduced severity of supply chains issues was also critical, cited by 47 percent. Together, these findings reinforce the pattern of gradual improvements in quarterly demand and supply chain impacts identified across survey rounds.

Figure 5: Share of firms reporting change in financial performance between the first half and the second half of 2020 (N = 329)

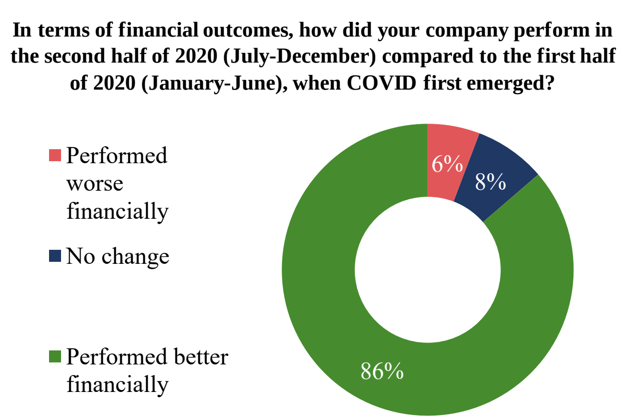


Figure 6: Share of firms reporting change in operational performance between the first half and the second half of 2020 (N=329)

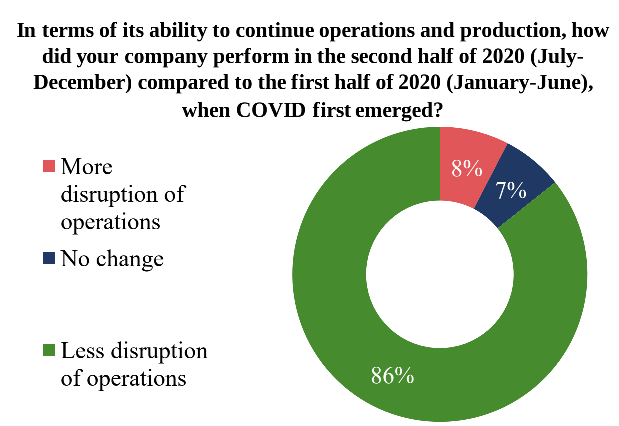
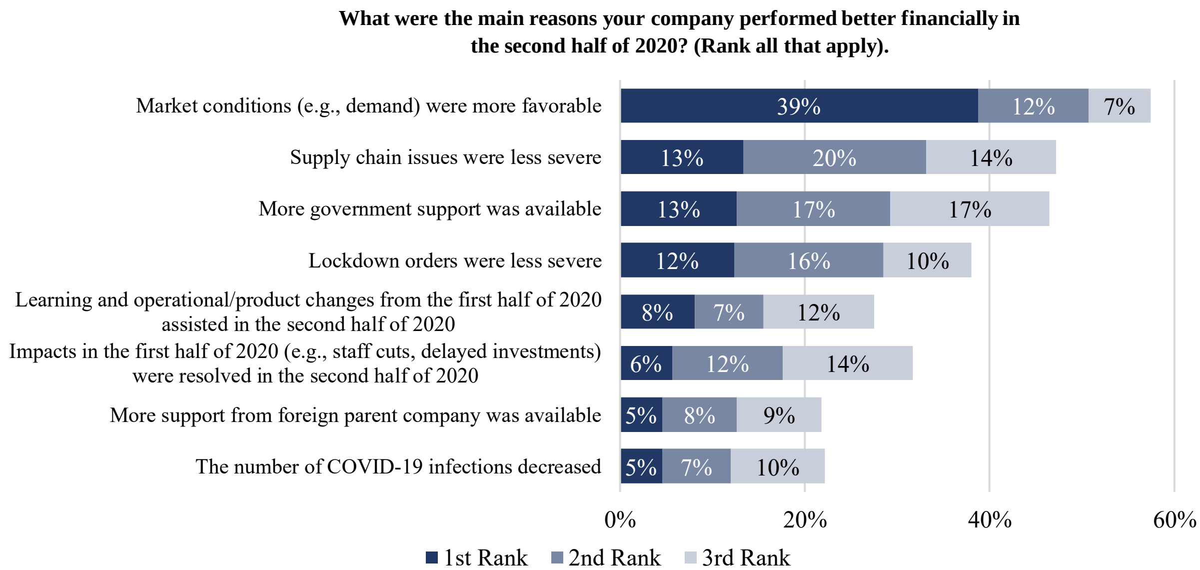


Figure 7: Share of firms citing drivers of improved financial performance in the second half of 2020 (N=284)



The increased availability of government support was also identified as critical to improved performance, cited by 47 percent. This result reinforces the central role that government policy responses have played in shaping the capacity of the private sector to weather the crisis, highlighted in prior MNE Pulse survey rounds. In contrast, changes in lockdown orders and the number of COVID-19 infections were only the fourth and eighth most cited factors respectively.

However, reasons for better performance varied across regions (**Figure 8**). For example, MNE affiliates in East Asia and Pacific, South Asia, and the Middle East and North Africa were most likely to emphasize the importance of improvement in market conditions (as were firms with an export-oriented business model), suggesting these firms were the most affected by tough market conditions over the first half of 2020.

Firms in these regions rarely cited reduced COVID-19 infections or lockdown orders as the most important factor in their recovery. As many countries in Asia quickly gained control of the pandemic early in the year, the results highlighted that the main constraint weighing on MNE affiliates in the region was weak demand—an especially heavy constraint in an area where MNE affiliates are particularly export-oriented.

In Europe and Central Asia, as well as Latin America and the Caribbean, where the pandemic's health impact on the population—and therefore lockdown orders—were more severe, the main drivers cited for better performance were less severe lockdown orders and government support (both ranked first by 20 percent of respondents).

The equal importance given to government support and lockdown orders reflected the close links between these policy responses. Private sector activity is particularly impacted during lockdowns, further stressing the need for government support.

Technology and sustainability adoption

Deployment of new strategies and adoption of new technology was widespread among MNE affiliates in 2020 (**Figure 9**). Adapting to the challenges presented by the pandemic, the vast majority of respondents (91 percent) reported they had increased their deployment of digital business-to-customer (B2C) tools such as e-commerce and digital engagement.

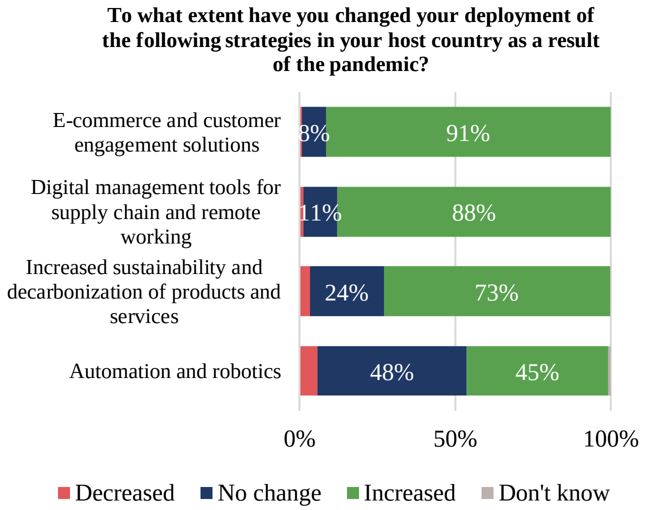
Most firms (88 percent) also reported the increased use of digital management tools, either for supporting staff to work remotely, or to manage and monitor supply chains. These findings align with the findings of prior rounds of the survey, which found that 58 percent of MNE affiliates had increased their use of digital tools for supply chain management in the second quarter of 2020.

Figure 8: Share of firms citing drivers of improved financial performance in the second half of 2020, by sector, region, business model and headquarters location (1st rank)

	Sector		Region						Business model		HQ location	
	Manufac turing	Services	East Asia and Pacific	South Asia	Middle East and North Africa	Sub-Saharan Africa	Europe and Central Asia	Latin America & Caribbean	Export-oriented	Market-oriented	Developi ng	Develop ed
The number of COVID-19 infections decreased	7%	2%	2%	0%	0%	8%	8%	8%	4%	5%	2%	5%
Lockdown orders were less severe	8%	16%	4%	9%	2%	21%	13%	20%	8%	14%	12%	12%
More government support was available	13%	13%	9%	12%	9%	8%	17%	20%	7%	15%	19%	12%
More support from foreign parent company was available	6%	3%	0%	0%	0%	6%	8%	12%	0%	6%	2%	5%
Learning and operational/product changes from the first half assisted in the second half of 2020	8%	9%	11%	7%	7%	6%	13%	4%	8%	8%	14%	7%
Supply chain issues were less severe	17%	10%	7%	9%	11%	17%	17%	18%	10%	15%	5%	15%
Market conditions (e.g., demand) were more favorable	37%	41%	67%	58%	64%	23%	17%	10%	60%	29%	37%	39%
Impacts in the first half of 2020 were resolved in the second half of 2020	5%	6%	0%	5%	7%	10%	6%	6%	3%	7%	9%	5%

Note: For instance, 67% of respondents based in East Asia and Pacific ranked the improvement of market conditions as the main driver of better performance over the second half of 2020, compared to the first half of 2020.

Figure 9: Share of firms reporting changes in the deployment of technologies (N=329)



A growing global focus on sustainability, the threat of climate change, and the need for a 'green recovery' has played out alongside the pandemic. In response, approximately two-thirds of MNE affiliate reported taking steps to increase sustainability and decarbonize their products and services. The focus on sustainability was particularly prevalent in manufacturing (83 percent, compared to 63 percent among respondents in services). This suggests an acceleration of climate change awareness among firms in sectors that are often carbon intensive (**Figure 10**).

Forty-five percent of firms reported an increase in the deployment of automation and robotics, a smaller share than the other strategies surveyed. However, considering the deployment of automation and robotics is capital-intensive and requires longer-term planning than strategies such as e-commerce, having almost half of respondents increasing their investment remains quite significant.

There is some evidence that affiliates of MNEs headquartered in developed countries may be more likely to deploy advanced technologies. Around half of MNE affiliates with headquarters in developed countries increased the deployment of automation and robotics, compared to just 27 percent of respondents whose headquarters are in developing countries (**Figure 11**).

Figure 10: Share of firms reporting changes in the deployment of technologies, by sector (N = 329)

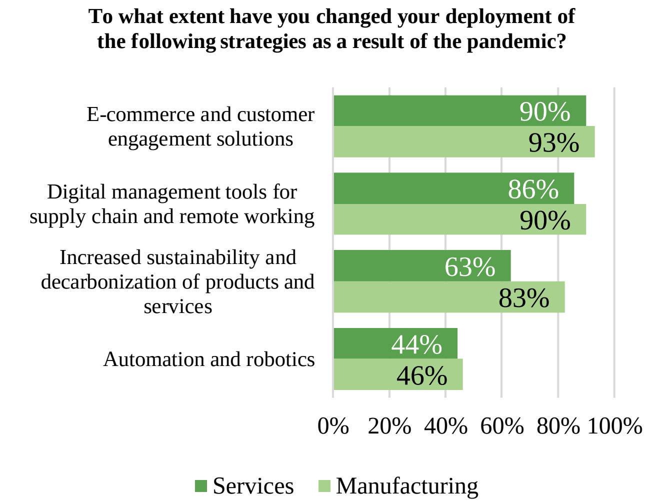
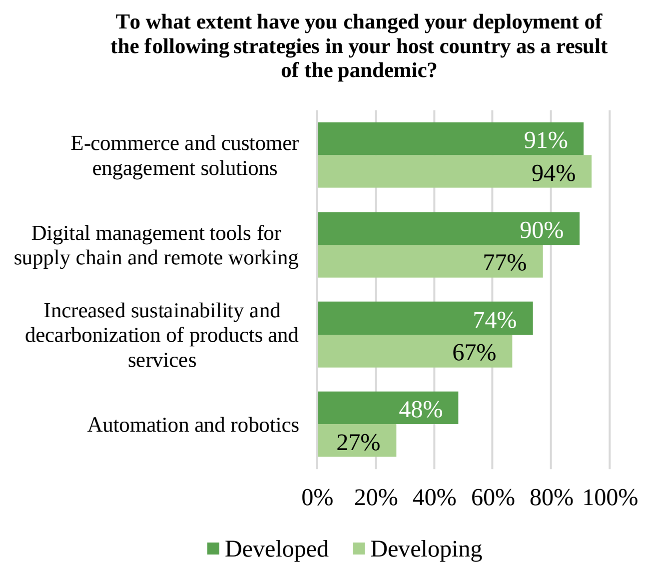


Figure 11: Share of firms reporting changes in deployment of technologies, by HQ location (N=329)



A narrower gap is also observed for deployment of digital management tools for supply chain and remote working. These differences highlight the potential for foreign investment to facilitate technology transfer from developed to developing countries.

Changes to Investment and Supply Chains in Response to COVID-19

Improving economic conditions have translated into a less negative outlook for future investment by MNEs, with limited plans for a significant reorganization of investment locations and supply chains. Most firms reported that they expect their parent company to maintain its current level of investment in their host country over the next 1-3 years, and few reported major changes to suppliers or business models.

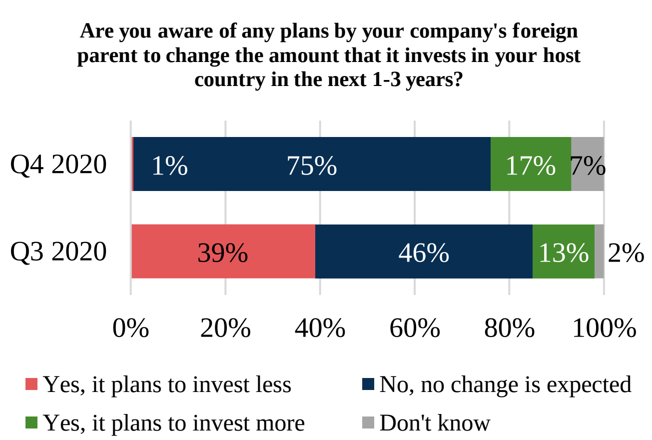
Changes to investment plans

Survey data from the most recent survey round suggest that the near-term outlook for foreign investment is stabilizing and gradually turning more optimistic, as compared to the investment outlook observed in the previous survey round.

In the previous survey round (third quarter of 2020), 39 percent of respondents indicated that their parent company planned to invest less. In the current round this share dropped to about 1 percent (**Figure 12**), suggesting firms' negative outlook may have been driven by short-term investment plans.

Nonetheless, relatively few MNC affiliates reported plans to aggressively expand investment. Three quarters of respondents reported that investment levels were expected to remain the same (up from 46 percent in the third quarter), while 17 percent expected investment to increase (up slightly from 13 percent in the third quarter).

Figure 12: Share of firms reporting expected change in investment (Q3 N=305; Q4 N=329)



The overall improved outlook is also conditioned by the current climate of uncertainty. Only 23 percent of MNE affiliates were very confident in their forecasts, while nearly 72 percent were still only somewhat certain about their parent company's investment plans (**Figure 13**).

The effect of uncertainty surrounding global trade could be hindering investment, with export-oriented firms 11 percentage points less likely than market-oriented firms to expect an increase investment in the near term (**Figure 14**). Expectations for increased investment were most common in Latin America and the Caribbean, Europe and Central Asia, and Sub-Saharan Africa (**Figure 15**).

Figure 13: Share of firms that were certain about parent company's investment plans for host country (N=329)

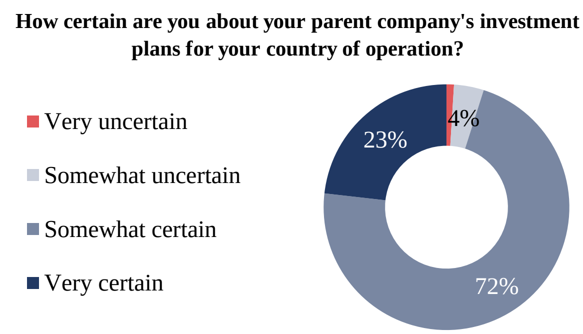


Figure 14: Share of firms reporting expected change in investment, by business model (N=329)

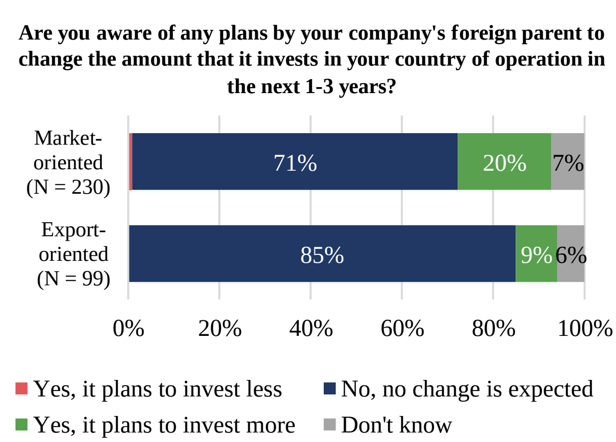


Figure 15: Share of firms reporting expected change in investment, by region (N=329)

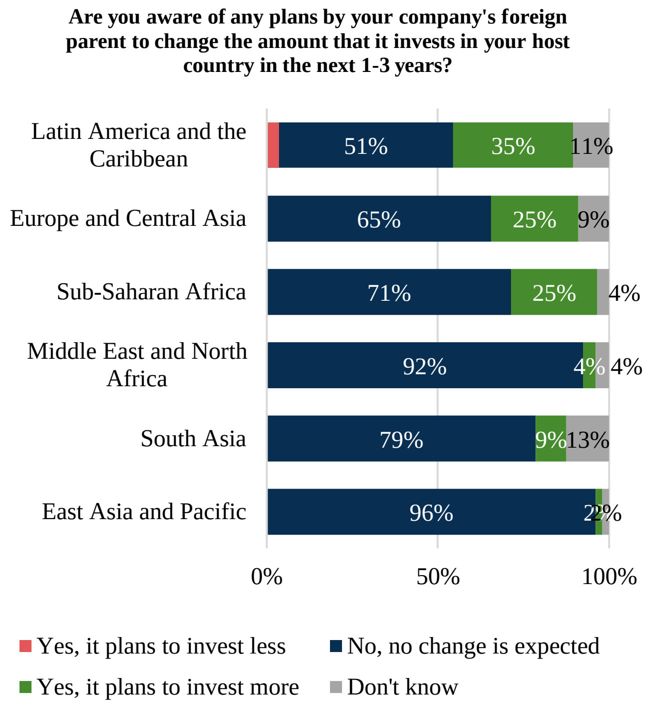
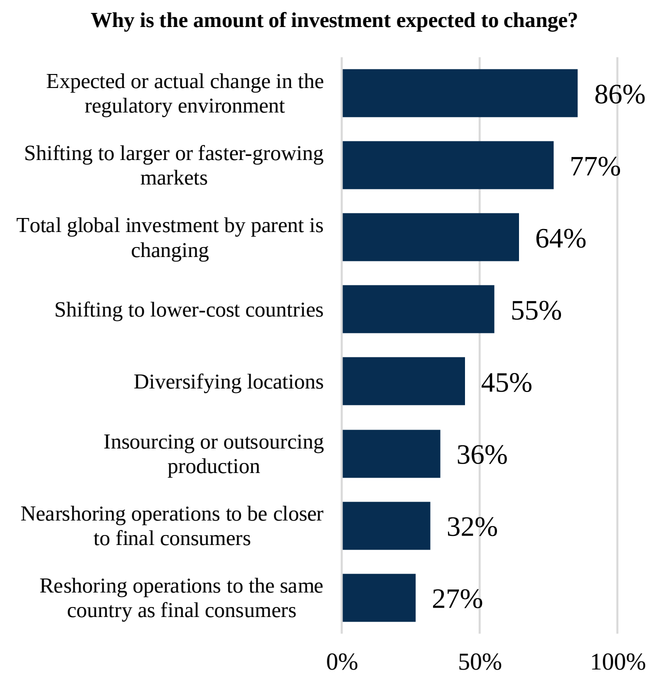


Figure 16: Share of firms citing drivers of changes in investment plans (among respondents expecting investment to increase) (N=56)



Drivers of increased investment

Among firms expecting to increase investment, changes in the regulatory and policy environment in the host country was a key driver, with 86 percent of the respondents citing this as one of the reasons why their parent company's investment will increase (**Figure 16**).[7]

Growth potential and cost competitiveness of destination markets are important considerations for foreign investors. A large majority of firms cite shifting operations to larger or faster-growth countries (77 percent) and shifting operations to lower cost countries (55 percent) as drivers of investment change. Both factors have become more prominent since the prior survey round, suggesting that with more experience and understanding of the effects of Covid-19 on operations, MNEs are clearer about investment location strategies.

Change in the parent company's total global investment was also a factor for 64 percent of firms (down somewhat from 75 percent in the prior survey round). Factors that might imply a significant reorganization of global supply chains in response to the Covid-19 crisis—nearshoring and relocation of operations—play a relatively smaller role in comparison, cited by 32 percent and 27 percent of respondents respectively (among those investing more).

Sourcing and business model changes

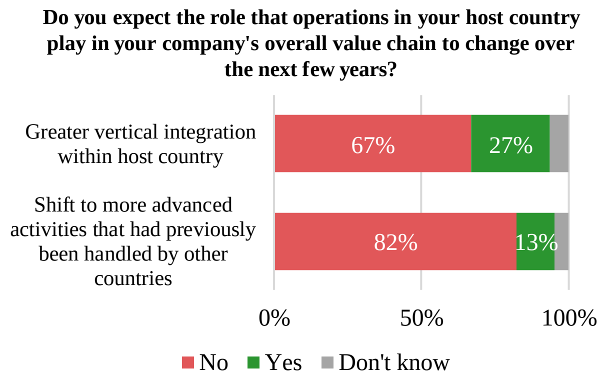
Survey results cast doubt on expectations of significant changes to supply chains in response to the pandemic. Only 2 percent of respondents reported they are changing the countries from which they source their inputs. This is a notable reduction from the prior survey round, in which 37 percent of respondents reported changes in the sourcing of their inputs.

[7] This response option was introduced during this survey round, following a correlation observed between investment plans and changes in the regulatory environment in the results of the previous survey round.

This suggests that after a period of change at the height of the pandemic, sourcing arrangements may have settled. Alternatively, firms may have abandoned plans for sourcing changes as supply chain impacts have eased. This remains an area to watch in future rounds of the surcey.

In addition, the majority of respondents indicated that the role that operations in their host countries play in their company's overall value chain is unlikely to change over the next few years (**Figure 17**). Twenty-seven percent of MNE affiliates reported that they expect operations in their host countries to play a greater role in their parent company's value chain through vertical integration, while only 13 percent expect any shifts to more advanced activities that had previously be handled by other countries.

Figure 17: Share of firms reporting expected business model evolution over the next few years (N = 329)



Government Support and the Policy Environment for Foreign Investors

Public institutions have played a crucial role in protecting businesses from the pandemic and in supporting the economic recovery. At the same time, MNEs have faced a constantly shifting policy environment, including changes to foreign investment rules and regulations. The most recent survey results suggest that such changes have been increasingly business friendly. Countries will need to continue to focus on providing the right enabling conditions for investment to support the recovery.

Policy environment for foreign investors

For all indicators surveyed, more respondents declared that the rules and regulations for foreign investors have become more business friendly than less so (**Figure 18**). A majority reported positive developments with respect to restrictions for expatriate staff, joint venture requirements, local input requirements, and price and technology restrictions, likely reflecting that countries have begun to lift health-related restrictions and alongside wider efforts to restart the economy.

Comparison with results from the previous survey round show a reduction in reports of new restrictions, as the share of "less business-friendly measures" was significantly higher in the previous survey. The number of companies describing a status quo situation has also decreased. Results for the two survey rounds were drawn from two different samples – including a slightly different distribution of countries – but the improvement is considerable nonetheless.

Increased restrictions still remain prevalent in several areas of regulation. In particular, 22 percent of respondents reported that local investment approvals have become less business friendly. Likewise, 16 percent reported adverse changes to restrictions on price and technology and joint venture requirements.

Figure 18: Share of firms reporting changes to the rules and regulations for foreign investors triggered by the COVID-19 pandemic (N=329)

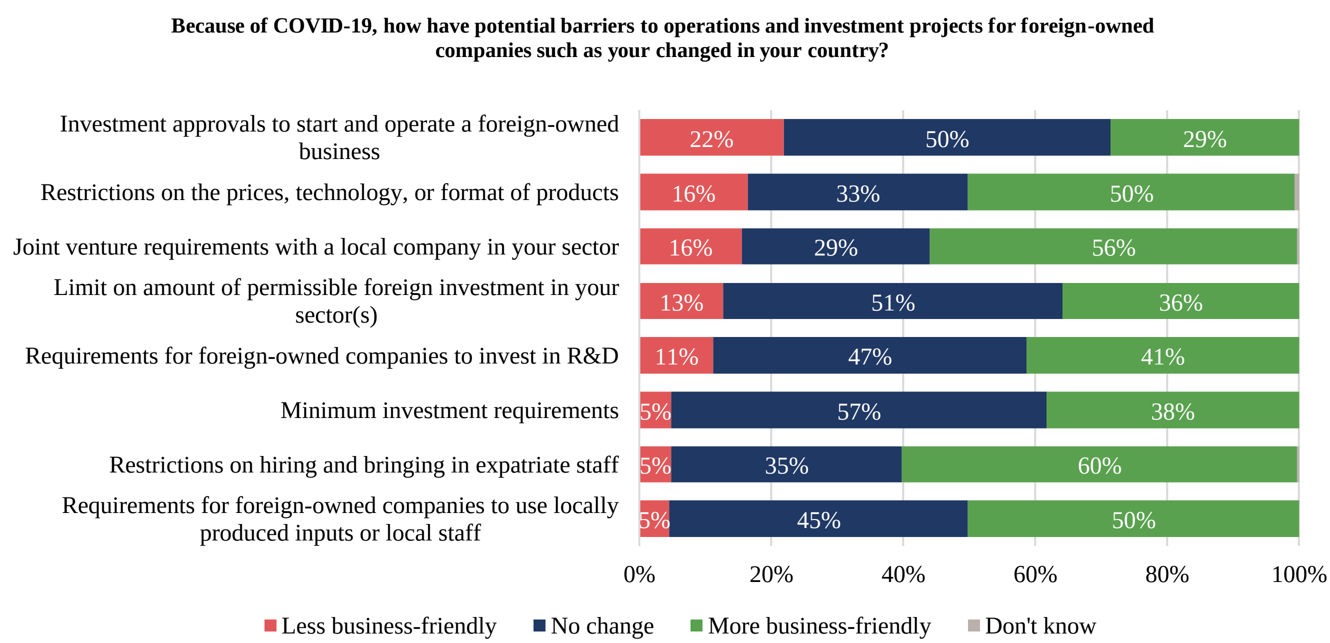
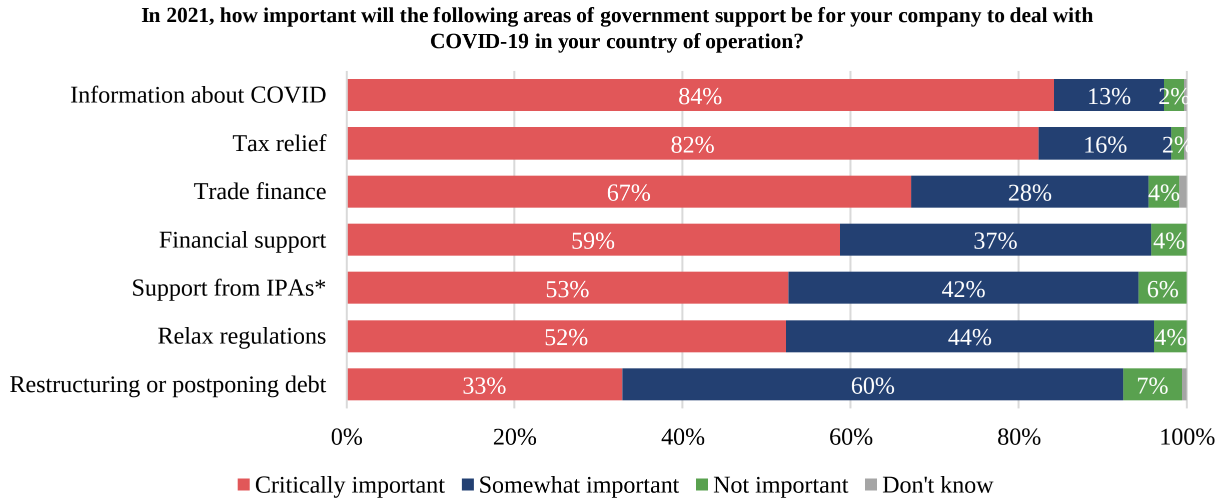


Figure 19: Share of firms citing areas of government support as important to deal with COVID-19 in 2021 (N-329)



*Investment Promotion Agencies (IPAs)

Importance of future government support

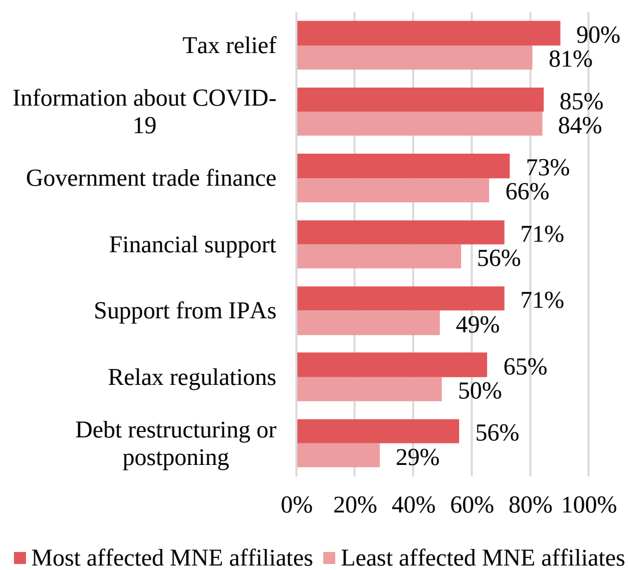
Government policies and programs have an important role to play in helping MNEs restart investment and production, and survey results suggest that the importance of policy responses such as information about COVID-19 and tax relief has only grown.

In a marked increase from the previous survey round, 82 percent of MNEs consider support from the government in the form of tax relief will be critically important in 2021 (up from 53 percent) (**Figure 19**). Similarly, 84 percent consider information about COVID-19 will be critical (up from 30 percent).

Relaxed regulations and policies, support from IPAs, and the availability of financial support and trade finance all register as critically important for a majority of respondents. Government assistance in restructuring or postponing debt was cited as critical by a smaller share (33 percent).

Comparing respondents that reported more severe impacts in the fourth quarter of 2020 against those that were less severely affected, the ranking of government support identified as critically important remains similar (**Figure 20**). However, companies that were more affected by the economic crisis were much more likely to view government support on debt restructuring (56 percent compared to 29 percent), support from IPAs (71 percent compared to 49 percent) and direct financial support (71 percent compared to 51 percent) as critical.

Figure 20: Share of firms citing areas of government support perceived as "Critically important", by level of adverse impact (N=329)



Note: *"Most affected MNE affiliates" refer to respondents having experienced a decline >=40% on at least one business dimension over the Q4 (N = 171). "Least affected MNE affiliates" refer to respondents only having experienced declines <40% over the Q4 (N = 158).*

Appendix A: About the Survey

The data for this study comes from the third quarterly pulse survey conducted between February 5 and March 5, 2021. Like the earlier three rounds, the fourth-round pulse survey's goal is to monitor MNE performance along several supply and demand dimensions, gain information on business strategy adjustments, and assess policy responses. We specifically added resilience and learning to our field of work for this survey round.

Survey Coverage

The survey involved interviewing senior executives in affiliate operations of MNEs in the following six regions: East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, the Middle East and North Africa, South Asia, and Sub-Saharan Africa. The 329 MNEs that responded to the survey represented the six regions (about 50 respondents from each region) and the manufacturing and service sectors (about 150 respondents from each sector).

Survey Content

Questions were organized into the following sections:

1. *General information on the company and interviewee*, including host and source country, position, number of employees, total asset, sector, and sub-sector.
2. *The effect of COVID-19 on the fourth quarter of 2020,* including the company's performance on various dimensions compared to the same period in 2019 and adverse impacts on aspects of the supply chain.
3. *The resilience and learning of MNE affiliates in the face of COVID-19 in 2020,* including the changes of the company's financial and operational performance throughout 2020, the drivers of those changes, and changes in the deployment of strategies.
4. *Investment plans*, including the parent company's investment plans and changes in the supply chain.
5. *Support from the government,* including MNE affiliates' perceptions of the importance of several types of government supports.
6. *Policy environment change*, including whether potential barriers to investment and operations of foreign-owned companies have changed and in what ways.

Survey Administration

The World Bank Group commissioned EY Advisory (EY) and Euromoney PLC (Euromoney, as EY's subcontractor) to conduct the third pulse survey. The survey was conducted online, in English.

Each online survey was approximately 20 minutes long. Respondents participated in and completed the survey anonymously to protect their privacy and encourage participation and candid responses. The survey data was delinked from individual responses.

The survey was launched on February 5, 2020 and the fieldwork was completed on March 4, 2020.

Data Collection and Data Summary

The survey data set contains 329 responses from MNEs operating in 37 developing countries. The figures below present the distributions of respondents by region and country of operation (**Figure 21**), foreign parent company location (**Figure 22**), business size separately by number of employees (**Figure 23**) and total assets (**Figure 24**), the respondent's position (**Figure 25**) and the sector/subsector (**Figure 26**).

Figure 21: Sample distribution by region and country of operation

Region/Host Country	Count	Percent
East Asia & Pacific	**52**	**16%**
Cambodia	3	1%
China	21	6%
Indonesia	6	2%
Malaysia	8	2%
Philippines	6	2%
Thailand	2	1%
Vietnam	6	2%
Europe & Central Asia	**55**	**17%**
Bulgaria	9	3%
Georgia	10	3%
Russia	16	5%
Turkey	12	4%
Ukraine	8	2%
Latin America & the Caribbean	**57**	**17%**
Argentina	8	2%
Brazil	19	6%
Cuba	4	1%
Ecuador	4	1%
Jamaica	2	1%
Mexico	15	5%
Peru	5	1%
Middle East & North Africa	**52**	**16%**
Algeria	5	1%
Egypt	12	4%
Iran	10	3%
Jordan	10	3%
Lebanon	7	2%
Morocco	8	3%
South Asia	**56**	**17%**
Bangladesh	19	6%
India	21	7%
Maldives	4	1%
Pakistan	4	1%
Sri Lanka	8	2%
Sub-Saharan Africa	**56**	**17%**
Cameroon	1	0%
Cote d'Ivoire	4	1%
Kenya	6	2%
Namibia	6	2%
Nigeria	11	3%
South Africa	18	6%
Tanzania	11	3%
Total	**329**	**100%**

Figure 22: Sample distribution by location of foreign parent

Region/Source Country	Count	Percent
East Asia & Pacific	**41**	**12%**
Australia	4	1%
China	6	2%
Hong Kong SAR, China	3	1%
Indonesia	1	0%
Japan	8	2%
Korea, Rep	4	1%
Singapore	10	3%
Taiwan, China	5	2%
Europe & Central Asia	**121**	**37%**
Austria	2	1%
Belgium	2	1%
Denmark	7	2%
Finland	2	1%
France	17	5%
Germany	23	7%
Greece	1	0%
Ireland	4	1%
Italy	5	2%
Luxembourg	3	1%
Netherlands	6	2%
Norway	1	0%
Spain	2	1%
Sweden	6	2%
Switzerland	16	5%
United Kingdom	24	7%
Latin America & Caribbean	**3**	**1%**
Chile	1	0%
Colombia	1	0%
Uruguay	1	0%
Middle East & North Africa	**10**	**3%**
Israel	1	0%
Jordan	1	0%
Kuwait	1	0%
Qatar	1	0%
Saudi Arabia	1	0%
Tunisia	1	0%
United Arab Emirates	4	1%
North America	**115**	**35%**
Bermuda	3	1%
Canada	3	1%
United States	109	33%
South Asia	**26**	**8%**
Bangladesh	1	0%
India	23	7%
Pakistan	2	1%
Sub-Saharan Africa	**13**	**4%**
Kenya	4	1%
Mauritius	2	1%
Nigeria	2	1%
South Africa	3	1%
Tanzania	1	0%
Zambia	1	0%
Total	**329**	**100%**

Figure 23: Sample distribution by size (number of employees)

Size	Count	Percent
Smaller (<250 employees)	193	59%
Larger (>=250 employees)	136	41%
Total	**329**	**100%**

Figure 24: Sample distribution by assets in host country

Assets	Count	Percent
Less than 2 million	30	9%
USD 2-5 million	89	27%
USD 5-10 million	34	10%
USD 10-50 million	81	25%
>USD 50 million	93	28%
Do not know	2	1%
Total	**329**	**100%**

Figure 25: Sample distribution by respondent's position

Respondent's position	Count	Percent
Country General Manager	103	31%
Country Finance Head	48	15%
Country Strategy Head	12	4%
Country Sales Manager	99	30%
Country Operations Manager	61	19%
Other	6	2%
Total	**329**	**100%**

Figure 26: Sample distribution by sector and subsector (ISIC 4.0)

Sector/subsector	Count	Percent
Manufacturing	**160**	**49%**
Basic metals	2	1%
Basic pharmaceutical products and pharmaceutical preparations	18	5%
Beverages	7	2%
Chemicals and chemical products	14	4%
Computer, electronic and optical products	11	3%
Electrical equipment	14	4%
Fabricated metal products, except machinery and equipment	2	1%
Food products	13	4%
Machinery and equipment not elsewhere classified	27	8%
Motor vehicles, trailers, and semi-trailers	22	7%
Non-metallic minerals products	2	1%
Other manufacturing	13	4%
Other transport equipment	1	0%
Paper and paper products	1	0%
Rubber and plastics products	1	0%
Textiles	1	0%
Tobacco	4	1%
Wearing apparel	7	2%
Services	**169**	**51%**
Accommodation and food services	5	2%
Administrative and support services	12	4%
Electricity and gas supply	6	2%
Financial services (including insurance)	28	9%
Health and social services	14	4%
Information and communication	34	10%
Other services	2	1%
Professional, scientific and technic activities	27	8%
Transportation and storage	27	8%
Water and waste services	2	1%
Wholesale and retail trade	12	4%
Total	**329**	**100%**

Table of Figures

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