Referee Report "Through Which Channels Can Remittances Spur Economic Growth in MENA Countries?"

The paper analyzes the effect of remittances on economic growth. It claims evidence in support of the positive effect of remittances on growth. Specific comments on the paper's analysis are as follows:

- 1. Extensive literature has been cited. However, the theoretical underpinnings of the effect of remittances on growth are not clear.
- 2. Given the level of disaggregation the paper claims, it would have been informative to establish the theoretical link between disaggregate data and remittances flows.
- 3. There is significant correlation in Table 2 between secondary school enrollment and remittances. How does this relationship develop?
- 4. What explains other positive significant correlation in Table 2 between remittances and openness and credit growth? The latter is worthy of attention and explanation.
- 5. There is also a positive and significant correlation between remittances and government spending. What is the channel underlying the correlation and what are the implications for growth?
- 6. It is interesting to note that the effect of remittances on consumption is larger, compared to that on investment. What are the implications for growth? The individual country analysis should have illustrated time-series correlation between remittances growth and consumption growth.
- 7. What are the characteristic of "restricted group of countries" for which remittances stimulate investment growth?
- 8. There are also sharp contrasts between the effects of remittances on consumption across country groups. What explains these differences?
- 9. Why countries that consume remittances are not benefiting in terms of growth?
- 10. Is there empirical evidence that remittances are used to finance schooling expenses?

Overall, the empirical investigation does not present compelling evidence regarding the effect of remittances on human capital and the ultimate impact on growth. In the absence of such evidence, the paper's conclusion lacks credibility. Further work is necessary to substantiate the evidence and fill in the loop holes in the analysis to render the results robust and address the underlying channels of transmission.