

"Institutions and Investment In South And East Asia & Pacific Region: Evidence From Meta-Analysis" by Sridevi Yerrabati, University of Greenwich and Denise Hawkes, UCL Institute of Education, which was submitted on May 18, 2015 for publication in the e-journal Economics (<http://www.economics-ejournal.org>).

Referee report

This paper presents the relationship between institutions and inward FDI by exploring the sources of heterogeneity through meta-analysis technique. The results of meta-regression suggest that aggregate governance has a positive effect on FDI.

A long list of FDI determinants has been discussed in the existing theoretical and empirical literature, what has not been adequately considered are that differences in the level of FDI inflows could also be due differences in quality of institutions across countries. Numerous measures of institutional quality show disparities in institutional quality across South and East Asia & Pacific countries. Thus, possible links between institutions and FDI and other determinants through which these effects operate are well worth investigating. In addition, the meta-regression analysis described in this paper has the potential to provide and reveal the sources of heterogeneity in the estimates reported in the institutions-FDI empirical studies. The empirical findings of the paper are highly valuable. The research outcomes will assist policymakers with their efforts to attract FDI by providing information on prioritise factors. It will more generally provide a greater understanding of the relationship between host countries' institutions and FDI inflows.

However, I'm not convinced that the present version of this paper is sufficient to merit publication. There are some major concerns that can be done to develop the paper further.

General issues

- I cannot find Table 2.3 and Appendix 2.6 as you mentioned in the paper. These tables may help the readers to understand the results more clearly.
- On page 3, what does the 'governance-growth effects' mean?
- The funnel plots of voice and accountability are not presented in Figures 2.2 and 2.3.

More specific points

- The authors do not adequately describe any reason behind the focus in East and South Asia and Pacific countries. At the beginning of the paper, the motivation of this paper should be discussed.
- The key objective of meta-analysis technique is to explore and identify the factors that drive the heterogeneity in reported estimates. The different measures of institutions may be an important source of variation in empirical results. Should dummy variables of institutions be

included in the same regression? Hence, this framework could investigate of the effects of variations in measures of institutions on FDI inflows.

- Since there are a few frameworks and specifications that can be done in meta-analysis, have the following estimations been considered or undertaken
 - precision-effect estimate with standard error (PEESE)?
 - the relationship from studies that focus on a single country?
 - the relationship from only published studies? This concerns is related to the control for study quality.

I believe that these estimations will strengthen the paper by providing comprehensive econometric frameworks on meta-analysis.

- Due to a possibility on “endogeneity” issue, the current results might lead to the endogeneity bias. This issue should be tested and addressed correctly.
- There is still need for reflection on the findings beyond the description and discussion of each finding of the regression models. Link to theory and practical implications are still missing.
- The conclusion section of the paper was weak, especially the last paragraph. More conclusions can be drawn from this study.