

Table A.1: Country sample

Industrial (23)		Emerging (20)		Other developing economies (37)	
Australia	AUS	Argentina	ARG	Bangladesh	BGD
Austria	AUT	Brazil	BRA	Bolivia	BOL
Canada	CAN	Chile	CHL	Botswana	BWA
Switzerland	CHE	China	CHN	Cameroon	CMR
Germany	DEU	Côte d'Ivoire	CIV	Congo	COG
Denmark	DNK	Colombia	COL	Costa Rica	CRI
Spain	ESP	Ecuador	ECU	Dominican Republic	DOM
Finland	FIN	Greece	GRC	Egypt	EGY
France	FRA	Korea	KOR	Ghana	GHA
United Kingdom	GBR	Morocco	MAR	Guatemala	GTM
Ireland	IRL	Mexico	MEX	Honduras	HND
Iceland	ISL	Malaysia	MYS	Haiti	HTI
Israel	ISR	Panama	PAN	Indonesia	IDN
Italy	ITA	Peru	PER	India	IND
Japan	JPN	Philippines	PHL	Jamaica	JAM
Malta	MLT	Poland	POL	Jordan	JOR
Netherlands	NLD	Thailand	THA	Kenya	KEN
Norway	NOR	Turkey	TUR	Kuwait	KWT
New Zealand	NZL	Venezuela	VEN	Sri Lanka	LKA
Portugal	PRT	South Africa	ZAF	Mali	MLI
Singapore	SGP			Mozambique	MOZ
Sweden	SWE			Niger	NER
United States	USA			Nicaragua	NIC
				Pakistan	PAK
				Papua New Guinea	PNG
				Paraguay	PRY
				Saudi Arabia	SAU
				Sudan	SDN
				Senegal	SEN
				El Salvador	SLV
				Syria	SYR
				Trinidad and Tobago	TTO
				Tunisia	TUN
				Togo	TGO
				Tanzania	TZA
				Uganda	UGA
				Uruguay	URY

Notes: The sample consists of 80 countries classified by JP Morgan EMBI Global Index.

Table A.1.1: Country sample by United Nation's classification (not intent for publication)

Developing regions (41)			Developed regions (23)			Least developed countries (8)		
Singapore	SGP	Industrial	Australia	AUS	Industrial	Bangladesh	BGD	Other developing economies
Argentina	ARG	Emerging	Austria	AUT	Industrial	Haiti	HTI	Other developing economies
Brazil	BRA	Emerging	Canada	CAN	Industrial	Mali	MLI	Other developing economies
Chile	CHL	Emerging	Switzerland	CHE	Industrial	Mozambique	MOZ	Other developing economies
China	CHN	Emerging	Germany	DEU	Industrial	Niger	NER	Other developing economies
Colombia	COL	Emerging	Denmark	DNK	Industrial	Senegal	SEN	Other developing economies
Côte d'Ivoire	CIV	Emerging	Spain	ESP	Industrial	Togo	TGO	Other developing economies
Ecuador	ECU	Emerging	Finland	FIN	Industrial	Tanzania	TZA	Other developing economies
Korea	KOR	Emerging	France	FRA	Industrial	Small island developing States (3)		
Malaysia	MYS	Emerging	United Kingdom	GBR	Industrial			
Mexico	MEX	Emerging	Ireland	IRL	Industrial	Jamaica	JAM	Other developing economies
Morocco	MAR	Emerging	Iceland	ISL	Industrial	Papua New Guinea	PNG	Other developing economies
Panama	PAN	Emerging	Israel	ISR	Industrial	Trinidad and Tobago	TTO	Other developing economies
Peru	PER	Emerging	Italy	ITA	Industrial	Landlocked developing countries (5)		
Philippines	PHL	Emerging	Japan	JPN	Industrial			
Poland	POL	Emerging	Malta	MLT	Industrial	Bolivia		
South Africa	ZAF	Emerging	Netherlands	NLD	Industrial			
Thailand	THA	Emerging	Norway	NOR	Industrial	Botswana	BWA	Other developing economies
Turkey	TUR	Emerging	New Zealand	NZL	Industrial	Paraguay	PRY	Other developing economies
Venezuela	VEN	Emerging	Portugal	PRT	Industrial	Saudi Arabia	SAU	Other developing economies
Cameroon	CMR	Other developing economies	Sweden	SWE	Industrial	Uganda	UGA	Other developing economies
Congo	COG	Other developing economies	United States	USA	Industrial			
Costa Rica	CRI	Other developing economies	Greece	GRC	Emerging			
Dominican Republic	DOM	Other developing economies						
Egypt	EGY	Other developing economies						
El Salvador	SLV	Other developing economies						
Ghana	GHA	Other developing economies						
Guatemala	GTM	Other developing economies						
Honduras	HND	Other developing economies						
India	IND	Other developing economies						
Indonesia	IDN	Other developing economies						
Jordan	JOR	Other developing economies						
Kenya	KEN	Other developing economies						
Kuwait	KWT	Other developing economies						
Nicaragua	NIC	Other developing economies						
Pakistan	PAK	Other developing economies						
Sri Lanka	LKA	Other developing economies						
Sudan	SDN	Other developing economies						
Syria	SYR	Other developing economies						
Tunisia	TUN	Other developing economies						
Uruguay	URY	Other developing economies						

Table A.2: Variables descriptions and sources

Variable	Definition	Source
Growth (<i>growth</i>)	Growth rate of PPP real GDP per capita (log difference over period)	Penn World Table Version 6.3 (PWT)
Initial Income (<i>lrgdp</i>)	Logarithm of PPP real per capita GDP lagged one period	PWT
Human capital (<i>lsyr15</i>)	Logarithm of average years of secondary in the population over age 15, lagged one period	Barro and Lee (2010)
Investment rate (<i>ci</i>)	Investment to GDP ratio, at current prices	PWT
Population growth (<i>gpop</i>)	Annual growth rate of population calculated in logarithmic terms	World Development Indicators (WDI)
Government expenditure	Government spending as a share of GDP	PWT
Inflation (<i>infl</i>)	Logarithmic first difference of Consumer Price Index	International Financial Statistics (IFS)
Trade openness (<i>open</i>)	Sum of exports and imports to GDP, at current prices	PWT
Institutions (<i>insti</i>)	Composite index of the five political risk components: corruption, law & order, quality of the bureaucracy, democratic accountability, socioeconomic conditions.	International Country Risk Guide
Private credit (<i>privy</i>)	Domestic credit to private sector to GDP	WDI
Total stocks (<i>total_gdp</i>)	Total stocks of external assets and liabilities, divided by GDP	Lane and Milesi-Ferretti (2007)
Total liabilities (<i>totliab_gdp</i>)	Stock of external liabilities, divided by GDP	Lane and Milesi-Ferretti (2007)
FDI & PF liabilities (<i>fdipfe_gdp</i>)	Stock of external FDI and portfolio equity liabilities, divided by GDP	Lane and Milesi-Ferretti (2007)
Debt liabilities (<i>debt_gdp</i>)	Stock of external debt liabilities, divided by GDP	Lane and Milesi-Ferretti (2007)
Total flows of capital (<i>totflows_gdp</i>)	Sum of absolute inflows and outflows of capital (foreign direct investment, portfolio, derivatives and other investment flows), divided by GDP	IFS
Inflows of capital (<i>inflows_gdp</i>)	Absolute inflows of capital, divided by GDP	IFS
FDI & PF invest. inflows (<i>fdipfe_flow_gdp</i>)	Inflows of FDI and portfolio equity investments, divided by GDP	IFS
Debt inflows (<i>debt_flow_gdp</i>)	Debt inflows, divided by GDP	IFS

Table A3. Results of panel unit root tests

Variable	W_IPS		P_MW		Z_MW	
	constant	constant and trend	constant	constant and trend	constant	constant and trend
<i>growth</i>	-21.5862***	-19.4204***	737.893***	591.970***	-18.8498***	-15.7628***
IFI variables:						
<i>total_gdp</i>	15.0031	2.8144	160.750	141.233	6.22962	3.94680
<i>dtotal_gdp</i>	-24.9110***	-22.6961***	827.357***	757.873***	-19.1488***	-19.4365***
<i>totliab_gdp</i>	9.7539	-1.0450	183.275	143.212	4.50799	3.47435
<i>dtotliab_gdp</i>	-30.4081***	-22.6961***	820.529***	706.938***	-18.4702***	-17.8079***
<i>fdipfe_gdp</i>	6.9956	-1.6062*	36.7712	146.480	16.8204	5.71153
<i>dfdipfe_gdp</i>	-21.8532***	-17.7133***	767.055***	673.449***	-16.0152***	-16.3400***
<i>debt_gdp</i>	4.1471	-4.4223***	185.002*	206.163***	4.98945	1.87951
<i>ddebt_gdp</i>	-31.4514***	-23.4683***	765.045***	657.363***	-16.9972***	-16.8446***
<i>totflows_gdp</i>	3.8465	-4.0767***	334.475***	397.842***	-4.02514***	-8.97796***
<i>inflows_gdp</i>	-0.3762	-5.9430***	378.748***	392.068***	-5.86723***	-9.32775***
<i>fdipfe_flow_gdp</i>	-5.2536***	-9.6569***	265.690***	348.178***	-1.80803**	-7.09740***
<i>debt_flow_gdp</i>	1.1532	-4.0427***	459.491***	423.125***	-7.76570***	-8.82192***
Threshold variables						
<i>openc</i>	-2.4919***	-3.3686***	138.614	240.225***	5.26528	-2.07880**
<i>cg</i>	-6.8004***	-3.7308***	269.790***	218.430***	-4.59713***	-1.88125**
<i>infl</i>	-5.2607***	-8.2811***	448.467***	403.067***	-8.79047***	-8.46637***
<i>insti</i>	-5.7059***	-2.8378***	210.352***	198.692**	-2.74212***	-1.48436*
<i>privy</i>	-1.3107*	-4.5939***	179.329	219.918***	2.22960	0.46579
Control variables						
<i>lrgdp</i>	-1.9874**	-5.8203***	125.439	211.868***	9.27576	-1.75869**
<i>lsyr15</i>	3.3199	0.1965	695.149***	331.226***	-0.73151	-1.23658
<i>ci</i>	-5.7751***	-5.2609***	241.451***	242.693***	-1.99523**	-1.84596**
<i>gpop</i>	-21.3453***	-28.5761***	316.027***	377.205***	-3.84972***	-6.44898***

Notes: d before the name of the variable is the first difference operator. The optimal number of lags is chosen by minimizing the AIC. ***, *, * are Significance at 1, 5, and 10 percent, respectively for rejecting the unit root null hypothesis. W_{IPS} denotes the standardized IPS statistic based on simulated approximated moments (Im, Pesaran and Shin, 2003, table 3). P_{MW} denotes the Fisher's test statistic proposed by Maddala and Wu (1999) and on individual ADF p-values. Under H_0 ; P_{MW} has a χ^2 distribution with $2N$ of freedom when T tends to infinity and N is fixed. Z_{MW} is the Choi (2001) standardized statistic used for large N samples: under H_0 ; Z_{MW} has a $N(0,1)$ distribution when T and N tend to infinity.

Table A4: Summary statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
<i>growth</i>	1920	0.0197	0.0456	-0.3191	0.3193
IFI variables:					
<i>total_gdp</i>	1920	1.7573	2.0127	0.1661	28.7295
<i>totliab_gdp</i>	1920	1.0812	1.1506	0.0496	27.1861
<i>fdipfe_gdp</i>	1920	0.3040	0.4112	0.0000	5.1518
<i>debt_gdp</i>	1920	0.7734	0.9243	0.0389	26.8618
<i>totflows_gdp</i>	1920	0.1608	0.3639	0.0000	6.3739
<i>inflows_gdp</i>	1920	0.0924	0.1804	0.0000	3.2875
<i>fdipfe_flow_gdp</i>	1920	0.0299	0.0620	0.0000	0.9724
<i>debt_flow_gdp</i>	1920	0.0608	0.1384	0.0000	3.1656
Threshold variables					
<i>openc</i>	1920	0.6988	0.4737	0.0926	4.5344
<i>cg</i>	1920	0.0944	0.0437	0.0260	0.4007
<i>infl</i>	1920	0.1358	0.3676	-0.1618	4.7749
<i>insti</i>	1920	24.2961	7.1918	5.0000	40.1667
<i>privy</i>	1916	0.5181	0.4301	0.0011	2.6976
Control variables					
<i>lrgdp</i>	1920	8.7355	1.2560	5.8352	10.8518
<i>lsyr15</i>	1920	0.5926	0.7813	-2.7498	2.0106
<i>ci</i>	1920	0.2266	0.0838	0.0187	0.5933
<i>gpop</i>	1920	0.0165	0.0240	-0.8088	0.3963

Table A5. Panel causality test between IFIs and economic growth

Lag order	K=1	K=2	K=3	K=1	K=2	K=3
	<i>total flows to growth</i>			<i>growth to total flows</i>		
W_{HNC}	1.1411	2.5209	4.0995	1.1764	2.5204	4.2166
Z_{HNC}	0.8924	4.6590***	12.0444***	1.1160	4.6547***	13.3275***
\tilde{Z}_{HNC}	0.1891	1.0154	1.9153*	0.3755	1.0137	2.2360**
	<i>inflows to growth</i>			<i>growth to inflows</i>		
W_{HNC}	1.0327	2.3903	4.0590	1.1348	2.4639	4.3588
Z_{HNC}	0.2071	3.4910***	11.6004***	0.8526	4.1492***	14.8848***
\tilde{Z}_{HNC}	-0.3826	0.5511	1.8043*	0.1559	0.8127	2.6252***
	<i>FDI & PFE flows to growth</i>			<i>growth to FDI & PFE flows</i>		
W_{HNC}	0.8181	3.6891	6.1093	1.1102	2.2751	3.9251
Z_{HNC}	-1.1503	15.1080***	34.0606***	0.6968	2.4604**	10.1344***
\tilde{Z}_{HNC}	-1.5149	5.1689***	7.4183***	0.0259	0.1414	1.4379

	<i>debt flows to growth</i>			<i>growth to debt flows</i>		
W_{HNC}	1.0625	2.2215	3.9396	1.0114	2.6258	4.4819
Z_{HNC}	0.3951	1.9808 **	10.2925***	0.0724	5.5970***	16.2336***
\tilde{Z}_{HNC}	-0.2258	-0.0492	1.4774	-0.4949	1.3882	2.9624***

Notes: "X to Y" means that we test the null hypothesis of homogenous non causality (HNC) from X to Y. ***, **, * indicate rejection of null hypothesis at the 1%, 5%, 10% significance level. See Dumitrescu and Hurlin (2012).

Table 1: Estimations with traditional PTR model (a)

	Total flows		Inflows		FDI + PF Equity		Debt		
A. Initial Income									
IFI slope parameters									
Low regime ($INCOME \leq \gamma$)	-0.003	(-0.589)	-0.008	(-0.762)	0.173	(4.135)	-0.010	(-0.822)	
High regime ($INCOME > \gamma$)	0.051	(1.560)	0.021	(2.091)	0.052	(2.724)	0.033	(1.954)	
Threshold estimate	9.025		9.828		10.277		9.182		
Test of non-linearity (Bootstrap p-values)	16.218	[0.051]*	3.980	[0.588]	7.074	[0.23]	5.014	[0.431]	
B. Trade Openness									
IFI slope parameters									
Low regime ($OPEN \leq \gamma$)	0.058	(1.884)	-0.051	(-1.866)	0.277	(5.240)	-0.050	(-1.629)	
High regime ($OPEN > \gamma$)	-0.003	(-0.610)	0.005	(0.643)	0.023	(1.258)	0.003	(0.386)	
Threshold estimate	1.152		0.672		0.811		0.672		
Test of non-linearity (Bootstrap p-values)	21.870	[0.005]***	3.342	[0.726]	15.364	[0.010]**	2.554	[0.825]	
C. Institutional Quality									
IFI slope parameters									
Low regime ($INSTI \leq \gamma$)	-0.003	(-0.500)	-0.029	(-1.561)	0.149	(4.059)	-0.031	(-1.513)	
High regime ($INSTI > \gamma$)	0.036	(1.502)	0.008	(1.244)	0.019	(1.063)	0.006	(0.847)	
Threshold estimate	16.417		13.333		33.833		13.333		
Test of non-linearity (Bootstrap p-values)	13.101	[0.066]*	2.535	[0.552]	13.631	[0.044]**	2.198	[0.635]	

Notes: t-statistic derived using robust standard errors are in parentheses. P-values presented in square brackets are bootstrapped with 1000 replications and 10% trimming percentage; significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively.

Table 2: Estimations with traditional PTR model (b)

	Total flows		Inflows		FDI + PF Equity		Debt		
A. Private Credit									
IFI slope parameters									
Low regime ($PRIVY \leq \gamma$)	0.083	(3.328)	0.103	(3.665)	0.204	(3.199)	0.111	(3.493)	
High regime ($PRIVY > \gamma$)	0.008	(1.482)	0.007	(0.956)	0.051	(2.749)	-0.001	(-0.125)	
Threshold estimate	0.539		0.539		0.627		0.539		
Test of non-linearity(Bootstrap p-values)	15.732	[0.029]**	13.891	[0.041]*	6.971	[0.177]	13.678	[0.053]*	
B. Inflation									
IFI slope parameters									
Low regime ($INFL \leq \gamma$)	0.003	(0.285)	0.009	(1.558)	0.009	(1.558)	0.007	(0.740)	
High regime ($INFL > \gamma$)	0.084	(1.563)	-0.050	(-0.952)	-0.050	(-0.952)	-0.136	(-3.020)	
Threshold estimate	0.082		0.139		0.219		0.139		
Test of non-linearity(Bootstrap p-values)	11.029	[0.046]**	17.441	[0.012]**	6.277	[0.303]	13.138	[0.041]**	
C. Government spending									
IFI slope parameters									
Low regime ($GOV \leq \gamma$)	0.026	(3.194)	0.049	(3.086)	0.055	(2.816)	0.037	(1.677)	
High regime ($GOV > \gamma$)	0.007	(1.260)	0.001	(1.292)	0.305	(2.834)	0.001	(0.127)	
Threshold estimate	0.103		0.101		0.227		0.120		
Test of non-linearity(Bootstrap p-values)	3.405	[0.483]	3.541	[0.501]	7.631	[0.165]	2.168	[0.726]	

Notes: t-statistic derived using robust standard errors are in parentheses. P-values presented in square brackets are bootstrapped with 1000 replications and 10% trimming percentage; significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively.

Table 3: Threshold regression using initial income

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.406*** (0.032)	-0.407** (0.031)	-0.403*** (0.030)	-0.407*** (0.031)
Schooling	0.259*** (0.020)	0.259** (0.020)	0.256*** (0.019)	0.259*** (0.020)
Population growth	0.003 (0.186)	-0.062 (0.124)	-0.075 (0.110)	-0.057 (0.118)
Investment rate	0.326*** (0.046)	0.327** (0.046)	0.327*** (0.044)	0.326*** (0.046)
IFI slope parameters				
Low regime ($INCOME \leq \gamma$)	-0.002 (0.005)	-0.003 (0.010)	0.048 (0.085)	-0.007 (0.010)
High regime ($INCOME > \gamma$)	0.022** (0.009)	0.044** (0.017)	0.087 (0.049)	0.059** (0.026)
Threshold estimate	9.266	9.266	9.266	9.266
95% confidence interval	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 4: Threshold regression using trade openness

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.398*** (0.029)	-0.398*** (0.029)	-0.396*** (0.028)	-0.396*** (0.028)
Schooling	0.254*** (0.019)	0.254*** (0.019)	0.252*** (0.018)	0.254*** (0.019)
Population growth	-0.028 (0.156)	-0.074 (0.113)	-0.082 (0.105)	-0.073 (0.104)
Investment rate	0.318*** (0.048)	0.318*** (0.048)	0.315*** (0.045)	0.318*** (0.045)
IFI slope parameters				
Low regime ($OPEN \leq \gamma$)	-0.106 (0.116)	-0.119 (0.146)	-0.323 (0.311)	-0.043 (0.145)
High regime ($OPEN > \gamma$)	0.015 (0.017)	0.028 (0.030)	0.087** (0.044)	0.026 (0.035)
Threshold estimate	0.336	0.336	0.336	0.346
95% confidence interval	0.287-1.012	0.287-1.012	0.334-0.346	0.287-1.012
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 5: Threshold regression using institutional quality

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.404*** (0.032)	-0.403*** (0.031)	-0.397*** (0.029)	-0.402*** (0.031)
Schooling	0.259*** (0.020)	0.259*** (0.020)	0.257*** (0.019)	0.259*** (0.020)
Population growth	-0.087 (0.091)	-0.082 (0.098)	-0.078 (0.099)	-0.081 (0.089)
Investment rate	0.328*** (0.045)	0.325*** (0.046)	0.330*** (0.044)	0.325*** (0.045)
IFI slope parameters				

Low regime ($INSTI \leq \gamma$)	-0.002 (0.005)	-0.003 (0.010)	-0.182 (0.115)	-0.005 (0.009)
High regime ($INSTI > \gamma$)	0.024*** (0.009)	0.044*** (0.017)	0.098** (0.048)	0.058** (0.024)
Threshold estimate	25.916	25.916	19.291	25.916
95% confidence interval	22.458-26.250	19.041-26.250	18.625-26.250	25.333-26.250
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 6: Threshold regression using private credit

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.400*** (0.032)	-0.400*** (0.032)	-0.394*** (0.029)	-0.400*** (0.031)
Schooling	0.256*** (0.021)	0.256*** (0.021)	0.254*** (0.019)	0.257*** (0.021)
Population growth	-0.071 (0.139)	-0.078 (0.125)	-0.076 (0.104)	-0.078 (0.119)
Investment rate	0.331*** (0.047)	0.329*** (0.047)	0.331*** (0.045)	0.329*** (0.047)
IFI slope parameters				
Low regime ($PRIVY \leq \gamma$)	0.002 (0.015)	0.003 (0.022)	-0.104 (0.117)	0.001 (0.015)
High regime ($PRIVY > \gamma$)	0.020** (0.008)	0.037** (0.016)	0.095** (0.048)	0.048** (0.020)
Threshold estimate	0.747	0.747	0.185	0.747
95% confidence interval	0.538-0.858	0.644-0.858	0.125-0.858	0.714-0.858
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 7 : Threshold regression using inflation

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.399*** (0.030)	-0.399*** (0.030)	-0.395*** (0.028)	-0.398*** (0.029)
Schooling	0.258*** (0.020)	0.258*** (0.020)	0.252*** (0.018)	0.259*** (0.020)
Population growth	-0.005 (0.173)	-0.071 (0.118)	-0.080 (0.091)	-0.067 (0.112)
Investment rate	0.323*** (0.046)	0.323*** (0.045)	0.328*** (0.045)	0.326*** (0.045)
IFI slope parameters				
Low regime ($INFL \leq \gamma$)	-0.001 (0.011)	-0.005 (0.016)	0.094* (0.049)	-0.008 (0.010)
High regime ($INFL > \gamma$)	0.022** (0.009)	0.041** (0.015)	0.060 (0.048)	0.050** (0.020)
Threshold estimate	0.009	0.010	0.046	0.010
95% confidence interval	0.009-0.010	0.009-0.010	0.041-0.049	0.009-0.010
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 8: Threshold regression using government spending

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.400***	-0.398***	-0.396***	-0.397***
	(0.030)	(0.029)	(0.028)	(0.029)
Schooling	0.257***	0.257***	0.255***	0.258***
	(0.020)	(0.020)	(0.019)	(0.020)
Population growth	-0.095	-0.084	-0.080	-0.083
	(0.107)	(0.117)	(0.106)	(0.108)
Investment rate	0.329***	0.326***	0.328***	0.328***
	(0.045)	(0.045)	(0.044)	(0.045)
IFI slope parameters				
Low regime ($GOV \leq \gamma$)	0.026***	0.046***	0.067	0.054**
	(0.009)	(0.016)	(0.047)	(0.021)
High regime ($GOV > \gamma$)	-0.004	-0.007	0.133**	-0.007
	(0.007)	(0.017)	(0.066)	(0.013)
Threshold estimate	0.139	0.139	0.068	0.139
95% confidence interval	0.112-0.139	0.110-0.139	0.064-0.068	0.097-0.139
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 9: Threshold regression using initial income and complementary control variables

Variable	Total flows					Inflows					FDI + PF equity					Debt flows				
Initial Income	-0.416	-0.407	-0.398	-0.407	-0.482	-0.417	-0.408	-0.399	-0.408	-0.483	-0.415	-0.403	-0.395	-0.403	-0.483	-0.417	-0.407	-0.398	-0.407	-0.482
	(0.032)	(0.030)	(0.031)	(0.031)	(0.038)	(0.031)	(0.030)	(0.031)	(0.031)	(0.038)	(0.031)	(0.029)	(0.030)	(0.029)	(0.038)	(0.031)	(0.029)	(0.030)	(0.030)	(0.038)
	***	***	***	***	***	***	***	***							***	***	***	***	***	***
Schooling	0.232	0.227	0.250	0.260	0.275	0.232	0.227	0.250	0.260	0.272	0.230	0.224	0.248	0.257	0.272	0.231	0.227	0.250	0.260	0.274
	(0.020)	(0.018)	(0.021)	(0.020)	(0.023)	(0.020)	(0.018)	(0.020)	(0.019)	(0.022)	(0.019)	(0.017)	(0.020)	(0.019)	(0.022)	(0.019)	(0.018)	(0.020)	(0.019)	(0.023)
	***	***	***	***	***	***	***	***							***	***	***	***	***	***
Population growth	0.157	-0.079	-0.002	0.004	-0.021	0.104	-0.138	-0.067	-0.061	-0.082	0.107	-0.150	-0.079	-0.073	-0.082	0.113	-0.134	-0.062	-0.056	-0.068
	(0.208)	(0.119)	(0.181)	(0.189)	(0.162)	(0.153)	(0.075)	(0.120)	(0.129)	(0.116)	(0.144)	(0.068)	(0.107)	(0.116)	(0.116)	(0.153)	(0.070)	(0.115)	(0.123)	(0.115)
							*					**					*			
Investment rate	0.311	0.249	0.315	0.327	0.269	0.312	0.250	0.317	0.328	0.266	0.322	0.251	0.318	0.329	0.266	0.310	0.249	0.316	0.327	0.269
	(0.047)	(0.045)	(0.046)	(0.047)	(0.050)	(0.046)	(0.044)	(0.045)	(0.046)	(0.050)	(0.048)	(0.043)	(0.044)	(0.045)	(0.050)	(0.047)	(0.044)	(0.045)	(0.046)	(0.050)
	***	***	***	***	***	***	***	***							***	***	***	***	***	***
Openness	0.103					0.105					0.110					0.107				
	(0.017)					(0.017)					(0.017)					(0.017)				
	***					***					***					***				
Institutions		0.006					0.006					0.006					0.006			
		(0.001)					(0.001)					(0.001)					(0.001)			
		***					***					***					***			
Inflation			-0.011				-0.011					-0.011					-0.011			
			(0.007)				(0.007)					(0.007)					(0.007)			
			*																	
Government spending				0.023					0.030					0.034					0.028	
				(0.199)					(0.195)					(0.190)					(0.194)	
Private credit				0.102					0.108					0.108					0.103	
				(0.013)					(0.013)					(0.013)					(0.014)	
				***					***					***					***	
IFI slope parameters																				
Low regime (INCOME $\leq \gamma$)	-0.002	-0.001	-0.002	-0.002	-0.001	-0.004	-0.002	-0.004	-0.002	-0.002	0.057	-0.164	0.023	0.038	0.045	0.057	-0.006	-0.004	-0.006	-0.005
	(0.004)	(0.006)	(0.005)	(0.006)	(0.006)	(0.010)	(0.010)	(0.010)	(0.011)	(0.093)	(0.137)	(0.080)	(0.084)	(0.084)	(0.093)	(0.013)	(0.010)	(0.010)	(0.011)	(0.011)
High regime (INCOME $> \gamma$)	0.019	0.020	0.022	0.022	0.017	0.038	0.039	0.044	0.044	0.064	0.073	0.076	0.087	0.087	0.064	0.054	0.053	0.059	0.059	0.044
	(0.009)	(0.008)	(0.009)	(0.009)	(0.010)	(0.016)	(0.015)	(0.017)	(0.017)	(0.045)	(0.047)	(0.044)	(0.049)	(0.049)	(0.045)	(0.023)	(0.022)	(0.026)	(0.026)	(0.028)
	**	**	**	**	*	**	**	**	**	**	**	*	*	*	*	**	**	**	**	**
Threshold estimate	9.266	9.266	9.266	9.266	9.266	9.266	9.266	9.266	9.266	9.266	7.873	9.266	9.266	9.266	9.266	9.266	9.266	9.266	9.266	9.266
95% confidence interval	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	7.828-9.266	7.838-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267	9.261-9.267
Number of countries	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Number of observations	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 10: Threshold regression with second endogenous control variable

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Openness	0.669***	0.672***	0.671***	0.676***
	(0.110)	(0.109)	(0.130)	(0.103)
IFI slope parameters				
Low regime ($OPEN \leq \gamma$)	-0.069	-0.090	-0.142	-0.071
	(0.167)	(0.192)	(0.445)	(0.192)
High regime ($OPEN > \gamma$)	0.006	0.009	0.020	0.010
	(0.011)	(0.017)	(0.087)	(0.016)
Threshold estimate	0.336	0.336	0.336	0.336
95% confidence interval	0.334-0.357	0.334-0.357	0.334-0.346	0.334-0.357
Institution	0.017***	0.017***	0.018***	0.017***
	(0.003)	(0.003)	(0.003)	(0.003)
IFI slope parameters				
Low regime ($INSTI \leq \gamma$)	-0.006	-0.011	-0.165	-0.011
	(0.008)	(0.012)	(0.133)	(0.014)
High regime ($INSTI > \gamma$)	0.026***	0.047***	0.096**	0.058***
	(0.010)	(0.017)	(0.040)	(0.022)
Threshold estimate	23.166	23.166	19.000	23.166
95% confidence interval	22.416-23.416	18.833-23.416	18.625-26.250	22.416-25.916
Private credit	0.747***	0.745***	0.756***	0.747***
	(0.173)	(0.176)	(0.289)	(0.166)
IFI slope parameters				
Low regime ($PRIVY \leq \gamma$)	0.053	0.046	0.072	0.034
	(0.102)	(0.102)	(0.156)	(0.099)
High regime ($PRIVY > \gamma$)	0.003	0.006	0.047	0.002
	(0.056)	(0.123)	(0.167)	(0.173)
Threshold estimate	0.43483	0.43483	0.956748	0.43483
95% confidence interval	0.364148-0.494637	0.360009-0.488754	0.432206-0.983530	0.360009-0.437451
Inflation	-0.008	-0.008	-0.006	-0.008
	(0.007)	(0.007)	(0.007)	(0.007)
IFI slope parameters				
Low regime ($INFL \leq \gamma$)	-0.002	-0.006	0.093*	-0.009
	(0.011)	(0.016)	(0.049)	(0.010)
High regime ($INFL > \gamma$)	0.022**	0.041***	0.056	0.051**
	(0.009)	(0.015)	(0.047)	(0.020)
Threshold estimate	0.009915	0.010008	0.046271	0.010008
95% confidence interval	0.009915-0.010107	0.009915-0.010107	0.041048-0.049709	0.009915-0.010107
Government spending	-1.935***	-1.948***	-2.074***	-1.971***
	(0.436)	(0.431)	(0.415)	(0.432)
IFI slope parameters				
Low regime ($Gov \leq \gamma$)	0.020**	0.036**	0.076*	0.055
	(0.008)	(0.015)	(0.042)	(0.036)
High regime ($Gov > \gamma$)	-0.002	-0.009	-0.263**	0.013
	(0.015)	(0.024)	(0.123)	(0.025)
Threshold estimate	0.139584	0.139584	0.139222	0.068653
95% confidence interval	0.133266-0.139584	0.133266-0.139584	0.133266-0.139584	0.067050-0.139584

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 11: Threshold regression using instrumented IFI mesures

Variable	Initial income	Openness	Institution	Private credit	Inflation	Government spending
Initial Income	-0.386***	-0.399***	-0.398***	-0.383***	-0.373***	-0.394***
	(0.031)	(0.038)	(0.059)	(0.068)	(0.022)	(0.055)
Schooling	0.251***	0.251***	0.253***	0.249***	0.248***	0.252***
	(0.021)	(0.028)	(0.032)	(0.033)	(0.017)	(0.033)
Population growth	-0.035	-0.121	-0.211	-0.161	-0.263	-0.167
	(0.378)	(0.209)	(0.284)	(0.416)	(0.293)	(0.411)
Investment rate	0.328***	0.328**	0.341**	0.337	0.334***	0.344**
	(0.056)	(0.110)	(0.144)	(0.249)	(0.046)	(0.142)
IFI slope parameters						
Low regime ($INCOME \leq \gamma$)	-0.004	0.052	-0.047***	-0.026	-0.010	0.053
	(0.005)	(0.372)	(0.016)	(0.049)	(0.014)	(0.122)

High regime (INCOME > γ)	0.014 (0.024)	-0.018 (0.042)	0.051 (0.113)	0.045 (0.334)	-0.058 (0.045)	-0.032 (0.035)
Threshold estimate	9.266	0.67609	18	0.74741	0.07989	0.11391
95% confidence interval	9.261-9.267	0.334-0.946	18-20.208	0.737-0.783	0.042-0.197	0.108-0.117
Number of countries	80	80	80	80	80	80
Number of observations	1920	1920	1920	1920	1920	1920

Notes: significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.

Table 12: Threshold regression using first principle component of six threshold variables and instrumented IFIs

Variable	Total flows	Inflows	FDI + PF equity	Debt flows
Initial Income	-0.427*** (0.028)	-0.437** (0.061)	-0.437*** (0.028)	-0.433*** (0.042)
Schooling	0.266*** (0.019)	0.269*** (0.038)	0.271*** (0.019)	0.266*** (0.028)
Population growth	-0.009 (0.331)	-0.026 (0.834)	-0.059 (0.165)	-0.039 (0.632)
Investment rate	0.312*** (0.052)	0.316 (0.213)	0.324*** (0.054)	0.315** (0.132)
IFI slope parameters				
Low regime ($pc1 \leq \gamma$)	-0.017 (0.011)	-0.012 (0.088)	-0.148 (0.096)	-0.005 (0.054)
High regime ($pc1 > \gamma$)	0.012 (0.054)	0.100 (1.812)	0.594 (0.595)	0.013 (1.461)
Threshold estimate	2.016997	2.055062	2.016997	2.016997
95% confidence interval	1.997911-2.085083	1.997911-2.090683	1.998902-2.085083	1.997911-2.085083
Number of countries	80	80	80	80
Number of observations	1920	1920	1920	1920

Note: pc1 is the first principle component of six threshold variable. significance at 10%, 5% and 1% are denoted by *, **, and ***, respectively; standard errors are in parentheses.