Box 1: Foreign Direct Investment in Colombia: Developments and Prospects

Box 1: Inflation Report March 2014 Keep in mind
The Monetary Policy Report presents the Bank's technical staff's analysis of the economy and the inflationary situation and its medium and long-term outlook. Based on it, it makes a recommendation to the Board of Directors on the monetary policy stance. This report is published on the second business day following the Board of Directors' meetings in January, April, July, and October.

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Foreign direct investment (FDI) becomes a major source of long-term financing in economies with technological and capital constraints. Countries with limited savings capacity or underdeveloped financial markets do not have enough resources to expand their production frontier (Chenery and Srinivasan, 1989). In this sense, FDI channels foreign savings into the productive projects the country needs to develop its economy (FEDESARROLLO, 2007). This has potentially positive effects on economic growth, employment, gross capital formation and tax revenue, among other aspects. FDI also can lead to improvements in the production process through technology transfer (Haddad and Harrison, 1993), since multinational companies use skills, knowledge and procedures aimed at optimizing production, which can be transmitted to domestic companies.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications/inflation-report/box-1-foreign-direct-investment-in-colombia-developments-and-prospects