

---

[Working Paper No. 502](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Vargas-Herrera, Hernando Carlos Varela](#)

This paper analyzes the evolution and impact of capital flows in Colombia over the past five years. An examination of the nature and composition of the capital flows indicates that to large extent they have originated in foreign direct investment, especially in the oil and mining sectors. The repercussions of capital flows for the stability and fragility of the financial system are also discussed. Finally, some of the challenges faced by the authorities in dealing with the implications of capital flows for the conduct of monetary and exchange rate policies are presented.

---

