Case Study

Enabling Circular Textiles in Colombia: Policy Levers and Lessons for SMEs

African Circular Economy Network

1.

SEPTEMBER 2026

DCED
The Donor Committee for Enterprise Development

Case Study: Enabling Circular Textiles in Colombia: Policy Levers and Lessons for SMEs

Donor Committee for Enterprise Development: www.enterprise-development.org

Citation: African Circular Economy Network: Rotter, M., Esslinger, V., Nijman, E., Mutezo, G. (2026). *Case Study - Enabling Circular Textiles in Colombia: Policy Levers and Lessons for SMEs.* Donor Committee for Enterprise Development (DCED).

Acknowledgements

This case study was produced in collaboration with Fundación IMARA, whose partnership and expertise were invaluable in shaping the research and its findings.

The authors would also like to thank the representatives from Colombia's textile ecosystem who generously shared their time and insights. Interviewees from ANDI, Bancolombia, Bogotá Chamber of Commerce, Cíclico, Closeando, Colombia Compra Eficiente, the District Secretariat of Environment (Bogotá), Fabricato, Fenalco, Icontec, Grupo Cristal and GIZ Colombia and Santander/Bucaramanga Fashion Week provided the experiences and perspectives that form the foundation of the findings and recommendations presented in this report. The authors would also like to thank the members of the Donor Committee for Enterprise Development Green Growth Community of Practice and DCED Secretariat for their guidance and review, particularly Patrick Obonyo (IKEA Foundation), Ana Batalhone (ITC), Dominik Biesalski (ILO), Marlen de la Chaux (ILO), Mariem Malouche (World Bank), Md Abu Saieed (UNIDO), Anne Terheggen (GIZ) and Ella Duffy (DCED). This work has been formatted for publication by Diana Thomas of the DCED Secretariat.

Cover image by the Secretariat of Environment of the City of Bogotá, Colombia

Executive summary

Colombia was one of the first countries in Latin America to adopt a National Circular Economy Strategy in 2019. From the outset, the textile sector was part of the national agenda. This case study examines how policy design, governance processes, and stakeholder collaboration have shaped circular economy (CE) adoption among SMEs in Colombia's textile sector. It draws on desk research and in-depth interviews with industry associations, public institutions, financial actors, large firms, and SMEs. The findings are organised around six levers that together constitute an enabling environment for circular textiles.

Shared vision. Colombia's National Circular Economy Strategy provided an anchor for the transition turning circularity into a coherent public discourse with a clear direction for action. CE gained traction because it was embedded within the existing Sistema Moda modernisation framework, framed as an economic and competitiveness agenda rather than an environmental add-on.

Co-creation and stakeholder engagement. Circularity advances faster when actors build a jointly owned pipeline of solutions rather than running stand-alone initiatives. Multi-stakeholder platforms have served as practical spaces to connect actors across the full value chain — from small collectors and recyclers to large industrial buyers — and to align mismatched requirements across institutions. Anchoring business associations within platform governance has been essential for continuity across political cycles.

Governance beyond platforms. National strategy alone is insufficient. Colombia's experience shows that circularity must be operationalised at regional and city level through territorial roadmaps and local programmes. Municipal agreements that give circular infrastructure a formal legal basis add an important layer of durability, protecting initiatives from political turnover. Establishing a baseline of the sector's material flows and capacity before introducing regulatory mandates helps set realistic targets that take SMEs' actual operating conditions into account.

Finance and bankability. Colombia’s experience also suggests that differentiated financing approaches are needed across the textile value chain. Large vertically integrated firms mainly require access to long-term CAPEX financing for industrial upgrading, while SMEs often require blended support mechanisms combining technical assistance, grants, incubation support, and results-based finance.

Market dynamics and standards. Circular products should compete on design and value for money first. Sustainability should be a credible added benefit, not a trade-off. Linking circular textiles to Colombia's cultural identity and local design traditions can further strengthen market positioning. Also, it was found that progressive certification schemes, mandatory sustainable public procurement, and fiscal measures to counter ultra-fast fashion imports could together create additional demand signals.

Infrastructure for circular textile systems. First experiences with collection, reuse, and resale systems are emerging in Colombia. Actors in the sector envision collective, multi-brand logistics and shared sorting infrastructure as the path to reaching the volumes needed for industrial-scale processing.

These advancements have been built on voluntary action but were enabled by the national strategy and sectoral roundtables established by authorities. It has created a strong foundation. One that Colombia is now building on with bolder steps, including the development of an Extended Producer Responsibility framework for textiles accompanied by an upcoming national Circular Textiles Strategy.

Table of contents

Acronyms **4**

1. Introduction **5**

2. Circular economy in the textile sector in Colombia **6**

2.1 Characteristics of Colombia's textile sector 6

2.2 Circular economy achievements 8

2.3 Policy and support frameworks 10

3. Levers for circular economy in the textile sector: Experiences and recommendations from Colombia **13**

3.1 Shared vision 13

3.2 Stakeholder engagement and co-creation 14

3.3 Governance beyond platforms 15

3.4 Finance and bankability 15

3.5 Market dynamics and standards 16

3.6 Infrastructure for circular textiles 18

4. Conclusion **19**

5. References **20**

Acronyms

ANDI	Asociación Nacional de Empresarios de Colombia (National Business Association of Colombia)
B2B	Business-to-Business
B2C	Business-to-Consumer
CAPEX	Capital Expenditure
CE	Circular Economy
CONPES	Consejo Nacional de Política Económica y Social (National Council for Economic and Social Policy)
DANE	Departamento Administrativo Nacional de Estadística (National Administrative Department of Statistics)
DCED	Donor Committee for Enterprise Development
DNP	Departamento Nacional de Planeación (National Planning Department)
ENEC	Estrategia Nacional de Economía Circular (National Circular Economy Strategy)
EPR	Extended Producer Responsibility
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Development Agency)
ISO	International Organization for Standardisation
MinAmbiente	Ministerio de Ambiente y Desarrollo Sostenible (Ministry of Environment and Sustainable Development)
MinComercio	Ministerio de Comercio, Industria y Turismo (Ministry of Commerce, Industry and Tourism)
RCS	Recycled Content Standard
SENA	Servicio Nacional de Aprendizaje (National Learning Service)
SME	Small and Medium-Sized Enterprise
VAT	Value Added Tax
WEEE	Waste Electrical and Electronic Equipment

2. Introduction

Despite the growing attention being given to circular economy frameworks, there is still limited evidence on what works and why when it comes to designing effective policy environments to support the circular transition of SMEs. Understanding this nexus between policy frameworks, institutional coordination, and SME-level innovation is essential to inform scalable, inclusive, and context-specific solutions to foster circular transitions.

This case study examines how policy design, governance processes, and stakeholder collaboration shape circular economy (CE) adoption among SMEs in Colombia's textile sector. It highlights insights, lessons learned, and actionable recommendations for governments, development partners, and private sector actors advancing circular textiles in Colombia and beyond.

The case study combines desk research with primary data collection. The desk research reviewed relevant national policies, strategies, and regulatory instruments, as well as existing studies, sector reports, project documentation, and publicly available information on initiatives supporting circular textiles in Colombia. Building on insights from the desktop research, hypotheses on key levers were developed. These hypotheses and questions guided qualitative interviews with actors in Colombia's textile ecosystem. The research team conducted in-depth interviews with selected actors representing different parts of the Colombian textile ecosystem. Consultations covered five groups:

- **Associations and support institutions**: ANDI, Fenalco, and Icontec — contributed perspectives on technical secretariat functions, business representation, and standards development.
- **Public sector entities** including Colombia Compra Eficiente and the District Secretariat of Environment — provided insight into procurement policy and environmental governance.
- **Large industry and retail brands:** Fabricato and Grupo Cristal — offered perspectives on upstream investment and the operational challenges of in-store take-back models.
- **SME managers and platforms**: Cíclico and Closeando — shed light on profitability, reverse logistics, and competition across B2C and B2B markets.
- **Financial institutions**: Bancolombia contributed perspectives on green taxonomy criteria and circular finance instruments.
- **Regional and city-level actors:** the Cámara de Comercio de Bogotá and Santander/Bucaramanga Fashion Week provided insight into territorial implementation and local circular fashion ecosystems.
- **International cooperation:** GIZ contributed as a neutral convener and funder of innovative mechanisms

3. Circular economy in the textile sector in Colombia

3.1 Characteristics of Colombia's textile sector

Economic relevance

Colombia's textile and apparel sector is one of the country's strategic manufacturing industries. It contributes roughly 10% of manufacturing GDP and around 1% of total GDP (MINCIT 2025). In 2024, the total production value of textiles and clothing reached an estimated USD 3.2–3.4 billion (DANE EAM 2024). The value chain is also a major labour market pillar, providing work to roughly 20–21% of the national manufacturing workforce representing approximately 500,000–700,000 direct jobs and over one million indirect jobs in related activities such as retail, design, and distribution (ANDI 2022, Inexmoda 2024). The sector is geographically concentrated in large urban clusters. Antioquia remains the main textile hub, while Bogotá–Cundinamarca and Valle del Cauca (Cali) play important roles in apparel, design, finishing, and logistics (ANDI 2022).

Sector structure

The textile and apparel sector encompasses a wide range of actors and activities, and its structure varies significantly across the value chain. At the upstream end, a small group of roughly 20–30 vertically integrated firms dominate fibre and fabric manufacturing, supplying both domestic and export markets (DNP 2021; SENA 2020). By contrast, SMEs form the backbone of Colombia's garment and apparel ecosystem, particularly in garment production, specialising in cutting, sewing, finishing, and tailoring (ANDI 2022; Colombia Productiva 2023). These two segments operate side by side but face very different conditions. This decentralised and often short-term subcontracting structure gives the sector considerable flexibility, allowing brands to adjust production volumes quickly in response to changing demand. However, the absence of stable long-term relationships across the value chain can weaken coordination, traceability, and joint investment, making it more difficult to implement circular economy approaches that depend on consistent standards, material recovery systems, and collaboration between actors (Colombia Productiva 2023).

Informality, productivity and gender

Informality is a defining feature of the sector, particularly among small apparel workshops. An estimated 65–70% of workers in these firms operate without formal contracts (DANE GEIH 2023). This limits their access to credit, technology, and training. Productivity disparities are also structurally large: productivity in large integrated firms can be four to six times higher than in micro-enterprises (Colombia Productiva 2022). These disparities are decisive in determining who can realistically adopt and scale circular investments.

The sector has a strong gender dimension. Women represent around 72% of the garment manufacturing workforce (DANE, 2021, cited in CCCyA, 2021). This makes the circular transition relevant not only as an environmental agenda but as an opportunity for inclusive economic development.

Market orientation

Colombia's textile and apparel industry serves both domestic consumers and export markets, though domestic consumption predominates. Combined production value for textiles and apparel reached approximately COP19–21 trillion (roughly US$4.5 billion) in 2023. In the same year, exports of textiles and apparel reached approximately US$590 million (DANE 2023). This domestic orientation creates a potential advantage for circular economy practices: products circulate within the same economic and regulatory space, making it easier to develop local reuse, repair, and recycling systems. At the same time, the limited weight of exports means that international sustainability requirements, often a strong driver of circular innovation, play a smaller role than in more export-oriented sectors.

Structural challenges

The sector faces persistent competition from low-cost imports, mainly from Asia, which constrains SME investment capacity (Colombia Productiva 2023). At the same time, this pressure increases the strategic importance of differentiation through quality, design, and sustainability. The industry also depends heavily on imported fibres, fabrics, and chemical inputs — particularly synthetics from Asia — which increases vulnerability to currency fluctuations and supply disruptions, and limits local control over material quality and sustainability attributes (MinComercio 2023). Colombia currently lacks specialised systems for collecting and recycling post-consumer textiles. Most discarded garments end up in landfills, generating growing waste volumes and environmental impacts (MinAmbiente 2023; DANE 2022).

Distribution of circular practices

Circularity practices are unevenly distributed across the textile value chain. Here, upstream and downstream refer to a product's position in the value chain, from material sourcing to consumer use and disposal. This differs from the R-strategy hierarchy, where reuse and resale rank above recycling as higher-value strategies.

Reuse, resale, and collection are the most active circular practices (downstream activities), and they draw a broader mix of actors. A large share are SMEs, such as Closeando and Cíclico. A few large retailers, such as Grupo Cristal with its in-store take-back model, also operate in this space. Barriers to entry here are comparatively low, and consumer engagement is growing rapidly.

Investment in recycling technology and infrastructure (upstream activities) follows a different pattern. Converting textile waste into new material requires capital that only larger, better-capitalised firms such as Enka and Fabricato can currently provide. Smaller firms can still incorporate recycled inputs into their products. Typically, they source recycled material from these larger processors rather than investing in recycling infrastructure themselves.

Figure 1: The current flows of textile materials in Colombia, including recovered materials and flows directed toward undetermined or disposal pathways

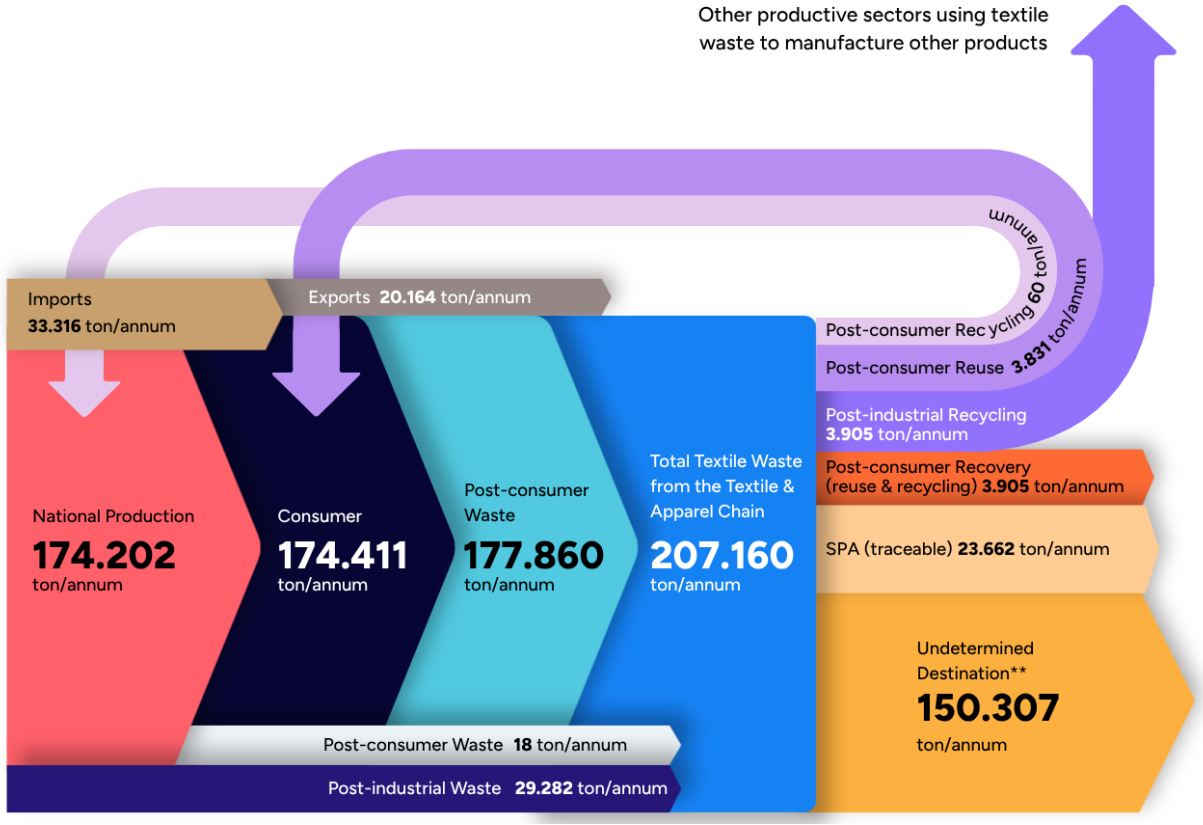

Figure translated into English from original Source: MinAmbiente (2024). Levantamiento de la línea base de materiales y residuos generados por la cadena textil y confección en Colombia. Ministerio de Ambiente y Desarrollo Sostenible, Bogotá.

3.2 Circular economy achievements

Colombia was one of the first countries in Latin America to adopt a National Circular Economy Strategy in 2019. From the outset, multi-stakeholder platforms were established to connect public institutions, businesses, and academia around a shared circular agenda.

Work on circular economy in Colombia's textile sector builds on a strong pre-existing foundation. The *Pacto por el Crecimiento* y *la Generación de Empleo – Sistema Moda* is a major public-private alliance that brings together more than 45 industry associations and 60 public entities with the objective of modernising the sector. When Colombia adopted its National Circular Economy Strategy in 2019, the Pacto provided an important foundation for multi-stakeholder coordination. Circular economy and eco-design criteria were integrated into its sustainability agenda, embedding CE within a broader modernisation framework rather than treating it as a purely environmental initiative.

Within the Sistema Moda, dedicated spaces for dialogue around circular economy were established. A sustainability roundtable, the *Mesa de Sostenibilidad en el Sistema Moda*, brings together companies, to advance sustainable materials, transparency, and responsible consumption in the fashion system (ANDI 2022). Separately, and with a more explicit circular economy mandate, the National Roundtable for Circularity in Textiles (*Mesa Nacional de Circularidad Textil*) was established as a cross-institutional working group co-led

by the Ministry of Environment and Sustainable Development and the Ministry of Commerce, Industry and Tourism, together with Colombia Productiva, ANDI, and Fenalco. This roundtable has served as the main national coordination space for advancing circular economy action specifically within the textile value chain, including validating the scope of Colombia's first national textile material flow baseline study published in 2024.

At regional level, Antioquia's circular economy roadmap — Antioquia Circular 2030 — has integrated textile sector actions and includes a dedicated programme supporting SMEs in embedding circular practices into their production processes. The Medellín Chamber of Commerce runs this programme known as Producción Circular assisting firms in linking up within circular supply chains.

At city level, Bogotá has operationalised circular fashion support through a dedicated circular fashion network, the *Red Moda Circular* (since 2022), which combines collection, reuse, remanufacture, and recycling approaches and provides training and technical assistance to firms in the city's fashion ecosystem.

Together, these national and subnational coordination mechanisms reflect a multi-level governance architecture that connects national CE ambitions to territorial action. Currently, the Colombian Government is working together with businesses, academia and civil society to shape the future EPR scheme for textiles as well as the National Strategy for Circular Textiles that will be issued in the course of 2026.

Table 1: Selected examples of circular business practices emerging in Colombia.

Circular Practice	Description	Examples
Upcycling and creative reuse	Transforming discarded textiles or post-consumer garments into new products; promoting artisanal craftsmanship and material recovery.	Manos Reparadoras, Amor Real (Medellín), *Religar* (Bogotá), *Arropa Circular* (Cali) – design micro-enterprises that repurpose fabric waste into accessories or new fashion lines.
Social and women-led enterprises	Women-led or community-based projects integrating circularity with local employment and inclusion.	Sueños Reales (Medellín) and SENA-supported cooperatives training vulnerable groups in sewing and repair; initiatives linked to *Fábricas de Productividad y Sostenibilidad*
Sustainable design and slow fashion brands	SMEs promoting eco-design, natural fibers, and low-impact production.	Baobab, *Polite*, *Atelier 1756*, *Amelia Toro Eco-line* – brands using local sourcing, organic materials, and small-batch production for longevity.
Circular Business Models (Rental, Repair, Customisation)	Extending product use through sharing, repair, or take-back systems.	Fashion2Rental (Bogotá), *Ropavejero Bogotá*, *Taller de Composturas* – boutiques and workshops offering clothing rental or repair services.

The most visible momentum so far is coming from collection, resale, and reuse systems, which are expanding rapidly due to digital innovation and growing sustainability awareness. Online resale platforms such as the country's largest digital resale app GoTrendier, have recorded around 28% market growth in 2022 and over 450% growth over the past five years, reflecting a clear shift in consumer behaviour, particularly among younger urban consumers (Econexia 2023; GoTrendier 2024). Similar platforms such as Venti and La Rebajadora or Renovamoda are further normalising second-hand fashion and extending the life of garments that would otherwise be discarded. The table below presents selected examples of innovative SME practices identified through sources such as Inexmoda, SENA, *Colombia Productiva*, and ProColombia. These initiatives illustrate the range of circular approaches emerging in Colombia—from upcycling and slow fashion to rental models and socially inclusive production, many of them SMEs.

Circularity is also beginning to emerge at the level of material inputs, replacing virgin inputs with renewable or recycled alternatives. Efforts are underway to incorporate recycled or bio-based fibres, with innovations presented at Colombia's leading fashion trade fair including fibres derived from algae and coffee husks (Colombiamoda 2023; Inexmoda 2023). Large manufacturers such as Fabricatoare investing in circular production processes, including the recovery and reuse of textile by-products, demonstrating how industrial actors can begin to close material loops within their own operations (Fabricato, n.d.).

Beyond this, circular economy in the textile sector also includes other important strategies. These include efforts to reduce substances of concern and microfibre release during production and washing which is a significant source of pollution in textile value chains.

Increasing clothing utilisation also represents an important avenue, through more durable product design that extends garment life, as well as emerging business models such as clothing rental and take-back schemes that keep garments in use for longer.

3.3 Policy and support frameworks

In Colombia, sustainability is understood as an overarching objective that is advanced through different policy approaches and instruments. Circular economy has been positioned as one concrete pathway to operationalise sustainability, alongside other policy lines such as the promotion of green businesses and sustainable public procurement.

CE efforts in the textile sector build on a pre-existing set of sectoral frameworks that the *"Sistema Moda"* designed to enhance competitiveness, productivity, and employment, and forming the productive base upon which circular economy initiatives are gradually being built.

Colombia's National Circular Economy Strategy has been the critical enabler of the textile sector's circular transition providing the overarching framework that set things in motion and brought government, business, and civil society to the table. Action has so far been largely voluntary, but the Strategy gave it direction, legitimacy, and momentum. It has also supported the emergence of a layered mix of instruments operating across different levels, from national policy frameworks that set the strategic direction, to financial instruments, territorial initiatives, and market recognition tools that translate ambition into practice. As a next step, Colombia is moving forward with a national strategy specifically for circularity in the textiles sector and an Extended Producer Responsibility (EPR) framework for textiles — a significant step towards making circular economy obligations more binding.

The table below provides an overview of the main instruments and frameworks supporting circular economy in Colombia's textile and apparel sector until now.

Table 2: Overview of main policy instruments and frameworks.

Level / Type	Instrument / Programme	Relevance for CE in Textiles
National policy	National CE Strategy (ENEC)	Cornerstone policy framework; establishes CE priorities and coordinates sectoral action including textiles
	Green Growth Policy (CONPES 3934)	Introduces CE as a strategic axis for sustainable production and innovation
	National Development Plan 2022–2026	Integrates CE into national development priorities; ensures policy continuity and budget alignment
	Sustainable Production & Consumption Policy	Early foundation for CE; promotes cleaner production and sustainable market development
Governance	National Textile Mesa (ENEC)	Main national coordination space for CE action in the textile value chain
	Mesa de Sostenibilidad Sistema Moda	Dialogue platform advancing sustainable materials, transparency, and responsible consumption
Sectoral / industrial	Pacto por el Crecimiento – Sistema Moda	Main public-private alliance for sector modernisation; integrates CE and eco-design into sustainability agenda
	Reindustrialisation Policy	Supports sustainable manufacturing and productive transformation including textiles
	Fábricas de Productividad y Sostenibilidad	Technical assistance for SMEs; entry point for CE adoption through eco-efficiency
Financial	Línea Sostenible Adelante (Bancóldex)	Dedicated credit line for CE projects including eco-design, reuse, and recycling; open to SMEs

Training and capacity	Green Credit Lines (Bancóldex)	Broader green finance facility supporting cleaner production and CE-aligned investments
	CE & Sustainable Fashion Training (SENA)	Builds technical understanding of circular design, material efficiency, and waste valorisation
	Red de Extensionistas	Field-level technical assistance for SMEs including CE pilots
Territorial	Antioquia Circular 2030	Regional CE roadmap integrating textile sector actions and SME support
	Red Moda Circular (Bogotá)	City-level initiative combining collection, reuse, recycling, and business support
	Producción Circular (Medellín)	Programme assisting SMEs in embedding CE practices and linking within circular supply chains
Market and recognition	Sello Ambiental Colombiano	Voluntary eco-label for textiles meeting environmental performance criteria
	Colombiamoda – Sustainability Track	Annual platform recognising circular and sustainable fashion brands

4. Levers for circular economy in the textile sector

Experiences and recommendations from Colombia

This section presents six levers for advancing circular economy in the textile sector, drawn from Colombia's experience. Each lever reflects a distinct dimension of the enabling environment and is accompanied by concrete findings and actionable recommendations.

4.1 Shared vision

This lever looks at lessons learned from how actors in Colombia built a joint language around circular textiles and a shared national vision. It covers whether there is a strategy/roadmap, common definitions, and a "north star" that aligns ministries, industry, and implementers. The key learning angle is that a common agenda reduces fragmentation and makes later steps (governance, finance, infrastructure) feasible.

Main findings and recommendations:

- Colombia's experience highlights the importance of **having a national circular economy strategy as an anchor for the transition.** It helps turn circularity into a coherent public discourse with shared goals and a clear direction for action. It can provide a high-level call for collaboration that signals political priority, invites coordinated participation from government, business, and support organisations, and clarifies what different actors can realistically achieve together. For SMEs in particular, which make up the vast majority of Colombia's garment and apparel firms, a clear and stable national strategy matters because it signals that circularity is not a passing priority. It gives business support organisations, chambers of commerce, and technical assistance programmes a mandate to reach smaller firms, and it creates the institutional continuity that SMEs need to justify investing time and resources in a transition they cannot drive alone
- **Institutionalise national circular economy roundtables with shared leadership.** A key recommendation is to institutionalise national circularity roundtables with shared leadership, creating formal platforms that unify the vision across government, business associations, and international cooperation. In Colombia, a major milestone — driven among others by Fenalco — was the creation of the first national circular economy roundtable for the textile sector within the Ministry of Environment and Sustainable Development, coordinated with other public and private members, which has enabled global concepts to be translated into the day-to-day operations of companies including SMEs.
- **Develop tangible narratives that connect with companies or citizens.** Moving away from generic climate-crisis messaging is essential to achieve real public engagement, because people adopt circular concepts when they feel relevant and value-creating in everyday life. GIZ emphasises that narratives that connect circularity to local identity, job quality, market access, or cost savings resonate more. They are more likely to motivate action among the small workshops and micro-enterprises.

4.2 Stakeholder engagement and co-creation

This lever focuses on moving from top-down programme design to co-creation: getting value-chain actors to jointly diagnose problems and propose investable project ideas. This is particularly important for SMEs, which are the least likely to have the staff time, institutional relationships, or technical vocabulary to engage in national-level co-creation processes without deliberate support.

Main findings and recommendations:

A key lesson we can distil from Colombia's experience is that circularity advances faster when actors build a jointly owned pipeline of solutions, rather than running stand-alone initiatives that may lose momentum when governments change. To enable effective co-creation and move beyond an "entrepreneur-only" approach, the following recommendations emerge:

- **Circular solutions should be designed to connect actors across the full value chain** — not just support isolated entrepreneurs at one end of it. For SME-focused programmes, this is an important corrective: supporting an individual small collector or upcycler in isolation is rarely enough. The intervention only creates lasting impact when the SME's offer is designed to connect with what larger actors in the chain actually need and when platforms or intermediaries help broker that connection. A circular offer has to align with corporate procurement realities, such as specifications and quality control, predictable volumes, delivery reliability, compliance requirements, and feasible commercial terms. A practical example helps illustrate this point. A large textile manufacturer like Fabricato needs a reliable, consistent supply of textile waste that meets specific quality and volume requirements before it can integrate recovered materials into its production process. If a small collector or recycler cannot meet those specifications, the circular loop cannot close — no matter how innovative the idea.
- **Use multi-stakeholder platforms to align different requirements.** These platforms should also be used as a practical space to identify and reconcile mismatched requirements across institutions and instruments. For example, in public procurement, they can help ensure that the sustainability criteria required in tenders are consistent with the criteria applied by agencies and programmes that finance and support companies, so SMEs are not confronted with contradictory expectations and can realistically qualify as suppliers to the State, as highlighted by *Colombia Compra Eficiente*.
- **Anchor private-sector associations within multi-stakeholder governance.** This is key to ensure institutional continuity. Although the circular economy roundtable for the textile sector is primarily hosted by the Ministry of Environment, Colombia's experience suggests that business associations should remain formally embedded in the secretariat function, because they help preserve technical know-how, support financial viability, and reduce disruption caused by changes in government administrations, as highlighted by Fenalco and ANDI. Wherever possible, participants in the roundtable should represent broader constituencies — industry associations, sectoral bodies, or civil society organisations — rather than individual companies. To ensure SMEs are sufficiently considered, roundtables can strengthen their impact by establishing deliberate feedback loops to business support organisations and chambers of commerce that work directly with smaller firms.
- **Academia can play an important supporting role as a technical bridge for SMEs.** As many SMEs perceive circularity as costly or overly complex, universities and research institutions can help make technical knowledge more accessible and build confidence for uptake, as recommended by Icontec. Their role, however, should be understood as complementary rather than as one of overall leadership.

4.3 Governance beyond platforms

Here we explore aspects of governance that go beyond "having a platform." For Colombia, the main learning question is how the governance set-up actually enables execution — so how strategies become implementation, not just meetings.

Main findings and recommendations:

- **Decentralise implementation by empowering regional and local authorities:** Colombia's experience, highlighted in particular by GIZ, suggests that national-level guidance should be operationalised through territorial entities, because they have greater discretion to issue context-specific rules and to implement actions that reflect local cultural and economic dynamics. This is particularly relevant for SMEs. Local and regional authorities are not only geographically and politically closest to smaller firms. They are also the most natural and trusted channel through which circular economy messages and incentives can reach smaller firms — in the language, relationships, and institutional settings that SMEs already navigate in their daily operations. Nevertheless, local action needs to remain anchored in a shared national framework to avoid fragmentation.
- A key recommendation from the City of Bucaramanga is to **link circular economy activities and their impacts to existing municipal metrics and reporting systems.** It is important to make visible how individual circular measures contribute to territorial outcomes, because circularity should be understood beyond the isolated company perspective and connected to city-level sustainability priorities. The Bucaramanga example shows this link in practice, because remanufacturing textiles reduces the need for producing new garments and therefore helps reduce water pressure through avoided water use. This impact can be translated into indicators that the municipality or the metropolitan water utility already tracks and reports, which increases credibility, institutional buy-in, and the likelihood that circular actions are recognised in public decision-making.
- **Establish baseline measurement where possible before introducing regulatory mandates:** Colombia's experience points to the importance of establishing baseline measurements before introducing regulatory mandates. As *Colombia Compra Eficiente* highlights, setting targets without first understanding the sector's actual capacity risks producing requirements that are technically correct but practically unenforceable. This risk is greatest among SMEs, where data is sparse and informality complicates measurement. A baseline that captures where smaller firms actually are is therefore a prerequisite for designing mandates they can realistically meet.

4.4 Finance and bankability

This lever examines what financial approaches are working in Colombia, what is not, and why. It looks at the gap between "circular ideas" and bankable projects. Colombia's experience also suggests that differentiated financing approaches are needed across the textile value chain. Large vertically integrated firms mainly require access to long-term CAPEX financing for industrial upgrading, while SMEs often require blended support mechanisms combining technical assistance, grants, incubation support, and results-based finance.

Main findings and recommendations:

- **Financing should be tailored to the maturity level of the enterprise.** The formal financial system tends to support companies that already demonstrate financial solidity — funding from banks and commercial lenders mainly reaches those who are already established. Smaller and earlier-stage circular businesses face greater challenges. They often struggle to demonstrate long-term economic

viability, even when their model is environmentally sound. For them, other types of financing are needed — such as grants, results-based funds, or public development finance — that can support businesses before they are ready to access commercial credit. Ideally, these instruments complement each other, creating a pathway that accompanies a business as it grows and matures.

- **Complement traditional early-stage credit with results-based finance**. Rather than subsidising promises, funding is released only when circular milestones are verified and measurable outcomes are achieved. For example, increased material recovery, reduced waste, or growing sales. This makes results-based finance particularly well-suited to SMEs, which often cannot meet the documentation and collateral requirements of conventional credit but can demonstrate progress through measurable operational change. In Colombia, the ProUsar Fund pioneered this approach, with Closeando — a second-hand clothing platform — as a practical example: results-based support helped the company improve its reverse logistics, increasing the volume of clothing flowing through the platform and demonstrating how targeted, results-linked finance can drive tangible operational change for smaller firms.
- **Green taxonomy criteria in commercial banking can unlock CAPEX for circular investments**. Circular upgrades often require large upfront investments in equipment and technology, but banks may perceive these investments as high-risk when they are not clearly classified or understood. Colombia's green taxonomy — the Taxonomía Verde de Colombia — provides banks with a classification framework that recognises circular investments as an eligible sustainability category, helping to distinguish their risk profile from conventional lending and opening the door to more suitable financing terms such as longer tenors or preferential conditions. In Colombia, Fabricato benefited from Bancolombia's dedicated credit line for circular economy and sustainability projects — demonstrating how this approach can unlock financing for large technology investments. However, access to taxonomy-aligned credit lines remains largely out of reach for SMEs, which typically lack the financial track record, collateral, and technical capacity to prepare the documentation these instruments require.

4.5 Market dynamics and standards

This lever analyses the internal market dynamics shaping circular textiles in Colombia. It regards competitive pressure from ultra-fast fashion platforms, price sensitivity, and consumer preferences. It also examines how standards and verification influence market access, and how the demands of domestic and export markets differ as drivers of circularity. The main challenge being to create effective demand signals and protecting circular value chains without ignoring market realities.

Main findings and recommendations:

- **Circular offerings should be aligned with consumers' primary purchase drivers**: Cíclico observes that purchase decisions in the domestic market are typically driven first by design, then by price, and only lastly by sustainability, which remains close to irrelevant for many consumers. This is a particularly important lesson for SMEs, which often lead with their sustainability credentials as their primary differentiator. This is a framing that, while genuine, can work against them in a price-sensitive market. Sustainability gains more traction when embedded in a compelling product offer rather than positioned as the reason to buy.
- **Link textile circularity to "country identity" and cultural heritage** to compete on differentiated value rather than on price. Competing on volume and ultra-low prices against Asian ultra-fast fashion giants (e.g., Shein/Temu) is not viable, so combining sustainability with distinctive local design and cultural

identity can create higher-value niche positioning. This is a strategy that SMEs in design, upcycling, and slow fashion are well placed to pursue, as local identity and craft traditions can be authentically embedded in their offer. Icontec emphasises that a circularity brand anchored in country identity can be a particularly strong and "winning" strategy to advance this agenda.

- **Design economic instruments to counter ultra-fast fashion pressure.** Currently Colombia has no specific government measures to counter the pressure of low-cost fast-fashion imports. Yet ultra-low-cost imports disproportionately undermine SMEs, which operate the majority of Colombia's reuse, repair, and second-hand businesses and lack the scale to compete on price alone. Fiscal measures can help level the playing field and protect circular value chains. Closeando argues, for example, that second-hand models would become more viable if VAT were reduced or removed — similar to approaches used in some European contexts. Extended Producer Responsibility schemes can complement these fiscal measures by making producers financially responsible for end-of-life textile management — creating a more level playing field and generating resources that can support the collection and sorting infrastructure on which smaller circular businesses depend.
- **Technical projects should be required to include commercial and design validation** from the outset. SMEs and entrepreneurs driving circular innovation often have strong environmental credentials but limited access to commercial expertise or market intelligence. Innovations with strong environmental merit frequently fail if they do not meet market expectations on design and product appeal. Projects should therefore be aligned early with commercial teams and tested against what drives purchasing decisions in the domestic market, as highlighted by GIZ and Cíclico.
- **Move from voluntary guidance to mandatory sustainability requirements in public procurement.** Voluntary guidelines are not sufficient to overcome the structural bias toward the lowest price, so the State should create a stable baseline demand by making sustainable public procurement mandatory, as emphasised by Colombia Compra Eficiente.
- **International market pull**, especially from developed-country buyers, can act as a catalyst for circular economy adoption and higher standards in the national textile industry, particularly when the domestic market is less demanding. To position Colombian circular textiles within global value chains, the roadmap should include strategic subsidies for internationally recognised recycled-content certifications: Export markets often require certification as an entry condition, and Fabricato confirms this by noting that international recognition is stronger and that the company is certified under the Recycled Content Standard (RCS), which is specific to fabrics or products that contain recycled material.
- **Implement technical standardisation guidelines to mitigate greenwashing.** Given the proliferation of vague environmental claims that erode market trust, it is imperative to define circular maturity levels based on international standards (e.g., ISO 59000) so that entrepreneurs communicate accurate and credible information to the market, as emphasised by Icontec. This challenge is particularly acute for SMEs, which often lack the technical capacity to navigate certification processes and may be unaware of which standards apply to their products. This is why accessible guidance and institutional support from bodies such as Icontec is essential.
- **Promote progressive compliance certification schemes.** Many companies are discouraged from engaging in circularity when they are expected to meet “perfect” or fully comprehensive standards from the start, because the cost, complexity, and learning curve can feel unmanageable — especially for SMEs. Progressive compliance certification schemes should be promoted, because step-by-step pathways allow companies to demonstrate and certify early wins while improving over time. Icontec recommends recognising these early achievements through certification, while clearly explaining to consumers what is being claimed and which technical standard supports the claim.

- **Pilot Product Digital Passport infrastructure** early to prepare for emerging international requirements: International rules are moving toward stricter demands for lifecycle and material traceability, which will increasingly affect international market access for textiles. GIZ highlights the importance of advancing this agenda early because better traceability infrastructure increases transparency and strengthens circularity through more credible reporting.

4.6 Infrastructure for circular textiles

This lever focuses on the "system hardware": collection, sorting, aggregation hubs, reverse logistics, and supporting data systems. Colombia does not yet have a fully functioning common system for circular textiles.

Main findings and recommendations:

- **Lessons learned suggest that collective, multi-brand logistics schemes should be implemented:** For SMEs, shared logistics is not just an efficiency gain. It can be a condition for participation in circular supply chains altogether. Individual small firms cannot generate the volumes needed to make dedicated collection viable. Consolidating material through shared containers helps reach the industrial scales required by transformation plants, as noted by Fabricato, and reduces the cost burden that currently makes collection unprofitable at small scale.
- **Pre-sorting and technological support as part of shared infrastructure:** Sending mixed and damaged garments directly to foundations transfers an unfair financial burden to them, as they end up paying for the disposal of non-usable waste. Pre-separation and basic technology-enabled sorting can significantly reduce this burden. For SMEs operating in collection and recycling, manual separation of mixed fibres is one of the biggest constraints to scaling, as Closeando highlights. Targeted investment in automated sorting, as part of shared infrastructure, can reduce operating costs while increasing the certainty and yield of material recovery. Individual SMEs cannot carry this investment alone, making shared facilities essential.
- **Integrate textile collection into existing regulated public post-consumer container networks:** Relying only on private in-store collection points tends to underperform. Grupo Cristal, a large retail brand, notes that consumers rarely bring used clothing to the same place where they buy new clothing, resulting in low collection volumes despite significant investment in in-store infrastructure. If the cost and logistics of private take-back systems are challenging even for large firms, they are simply out of reach for most SMEs. Integrating textile waste into existing public collection systems — alongside other regulated post-consumer streams such as WEEE and batteries — would generate larger and more consistent material flows, while distributing the infrastructure cost across a broader base. For SMEs working in sorting, upcycling, and second-hand markets, this could represent a reliable and affordable source of input material for their circular business models.
- **Legally "lock in" shared logistics through municipal agreements:** Shared collection and reverse-logistics systems—such as common clothing collection containers or shared drop-off points—only function over time if they are protected from political and administrative turnover. If these systems remain informal pilots, they can be discontinued when priorities, budgets, or responsible departments change, which undermines continuity and investment. The Colombian experience, highlighted by GIZ, therefore recommends giving shared infrastructure a formal local legal basis (e.g., municipal rules or agreements) that clarifies who is allowed to install and operate the infrastructure, who is responsible for it, and how it is financed, as illustrated by the Bogotá example, where used-clothing collection containers were backed by the City Council.

5. Conclusion

Colombia's experience in advancing circular economy in its textile sector offers a rich set of lessons for governments, development partners, and donors working on circular transitions in emerging market contexts.

Circular economy transitions do not happen at the firm level alone. They require a jointly owned enabling environment built through coordinated governance, layered finance, shared infrastructure, and credible market signals in which SMEs can participate without bearing the full cost and risk of the transition themselves. Colombia's experience shows that this enabling environment can be constructed deliberately, incrementally, and in ways that generate broad-based ownership across government, business, and civil society. That is the foundation on which more ambitious and binding circular economy frameworks can be built.

6. References

National sources

- ANDI (2022). Informe Sectorial: Sistema Moda. Asociación Nacional de Empresarios de Colombia, Bogotá.
- Bancóldex (2023). Línea Sostenible Adelante y MiPymes Competitivas 2025. Banco de Desarrollo Empresarial de Colombia, Bogotá.
- Cámara Colombiana de la Confección y Afines (CCCyA) (2021). Mujeres ocupan el 71,8% del empleo en las actividades de confección de prendas para vestir. Bogotá: CCCyA. Available at: [Accessed May 2026].
- Cámara de Comercio de Bogotá (2023). Red Moda Circular – Plataforma para la sostenibilidad del Sistema Moda. Bogotá.
- Cámara de Comercio de Medellín para Antioquia (2023). Producción Circular: Iniciativas para la Transición hacia la Economía Circular. Medellín.
- Colombiamoda (2023). Ruta de la Sostenibilidad – Colombiamoda 2023. Inexmoda, Medellín.
- Colombia Productiva (2022). Informe de Resultados: Fábricas de Productividad y Sostenibilidad. MinComercio / Colombia Productiva, Bogotá.
- Colombia Productiva (2023). Red de Extensionistas para la Productividad Sostenible. Bogotá.
- DANE (2022). Estadísticas de la Industria Manufacturera y Mercado Laboral. Departamento Administrativo Nacional de Estadística, Bogotá.
- DANE GEIH (2023). Gran Encuesta Integrada de Hogares. Departamento Administrativo Nacional de Estadística, Bogotá.
- DANE (2023). Estadísticas de Comercio Exterior e Industria Manufacturera. Departamento Administrativo Nacional de Estadística, Bogotá.
- DANE (2024). Encuesta Anual Manufacturera (EAM). Departamento Administrativo Nacional de Estadística, Bogotá.
- DNP (2021). Documento CONPES 3934: Política Nacional de Crecimiento Verde. Departamento Nacional de Planeación, Bogotá.
- DNP (2023). Plan Nacional de Desarrollo 2022–2026: Colombia Potencia Mundial de la Vida. Departamento Nacional de Planeación, Bogotá.
- Econexia (2023). Crecimiento del mercado de segunda mano en Colombia. Bogotá.
- Fabricato (n.d.). Disposición textil: Fabricato y su modelo sostenible. Available at: https://www.fabricato.com/disposicion-textil-fabricato-y-su-modelo-sostenible [Accessed May 2026].
- Gobernación de Antioquia (2022). Antioquia Circular 2030 – Estrategia Regional de Economía Circular. Medellín.

- GoTrendier (2024). Reporte de Sostenibilidad y Crecimiento del Mercado de Segunda Mano en Colombia. Bogotá.
- GIZ (2025). Resultados Fondo ProUSAR. Deutsche Gesellschaft für Internationale Zusammenarbeit, Bogotá.
- Inexmoda (2023). Observatorio Sistema Moda: Informe Septiembre 2023. Medellín.
- Inexmoda (2024). Diversificación De Las Exportaciones Textiles Y De Confección De Colombia: Retos Y Oportunidades.
- MinAmbiente (2019). Estrategia Nacional de Economía Circular (ENEC). Ministerio de Ambiente y Desarrollo Sostenible, Bogotá.
- MinAmbiente (2024). Levantamiento de la línea base de materiales y residuos del sector textil en Colombia. Ministerio de Ambiente y Desarrollo Sostenible, Bogotá.
- MinComercio (2022). Fábricas de Productividad y Sostenibilidad: Resultados y Proyecciones. Ministerio de Comercio, Industria y Turismo, Bogotá.
- MinComercio (2023). Política de Reindustrialización para la Productividad, la Sostenibilidad y la Inclusión. Ministerio de Comercio, Industria y Turismo, Bogotá.
- MINCIT (2025). Medidas en beneficio de la industria textil y confecciones.
- ProColombia (2023). Exportaciones e industria textil y de confecciones en Colombia. Bogotá.
- SENA (2020). Estudios Sectoriales: Sistema Moda y Textiles. Servicio Nacional de Aprendizaje, Bogotá.

Primary sources (Interviews)

Findings and recommendations presented in Section 3 draw primarily on in-depth interviews conducted with key stakeholders in Colombia's textile ecosystem. Interviewees represented the following organisations: ANDI, Fenalco, Icontec, Colombia Compra Eficiente, District Secretariat of Environment (Bogotá), Fabricato, Grupo Cristal, Cíclico, Closeando, and GIZ Colombia. Interviews were conducted between 2025 and 2026 as part of primary data collection for this case study.

DCED

The Donor Committee for Enterprise Development

www.enterprise-development.org

Donor Committee for Enterprise Development