CASE STUDY BRIEF

The Donor Committee for Enterprise Development

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

Key takeaways

Colombia was the first country in Latin America to adopt a National Circular Economy Strategy in 2019. From the outset, the textile sector was part of the national agenda.

Colombia's textile and apparel sector accounts for 9.4% of industrial GDP and supports over 500,000 direct jobs (Procolombia, 2023).

Colombia has built a broad multi-stakeholder coalition around circular textiles — translating a national vision into concrete action.

Collection, reuse, and resale mark the starting point of Colombia's circular textile pathway — with a growing ecosystem of business models emerging.

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The experiences and recommendations presented here draw on Colombia's circular textile journey, focusing on small and medium-sized enterprises (SMEs), and reflect on what has worked and what actions are required next. The findings and recommendations presented draw primarily on in-depth interviews with key stakeholders in Colombia's textile ecosystem. For further detail and a comprehensive analysis, please see the full case study.

Common agenda

Colombia's National Circular Economy Strategy has served as an anchor for the transition. It turned circularity into a coherent public discourse and spurred concrete action across government, business, and civil society. Colombia's example also demonstrates that circular economy objectives gain far greater traction when they are aligned with existing local agendas and priorities. Embedding circularity within regional and municipal contexts — rather than imposing it as a separate environmental agenda — makes it relevant and more actionable for local actors. Subnational programmes, technical extension services, and multi-stakeholder platforms have played an important role in helping SMEs participate in emerging circular textile systems. Multi-stakeholder platforms have provided the practical space to identify common interests and align different actors around shared opportunities. This has enabled the emergence of a jointly owned pipeline of solutions. These prove more resilient and more impactful than stand-alone initiatives that risk disappearing when governments or priorities change.

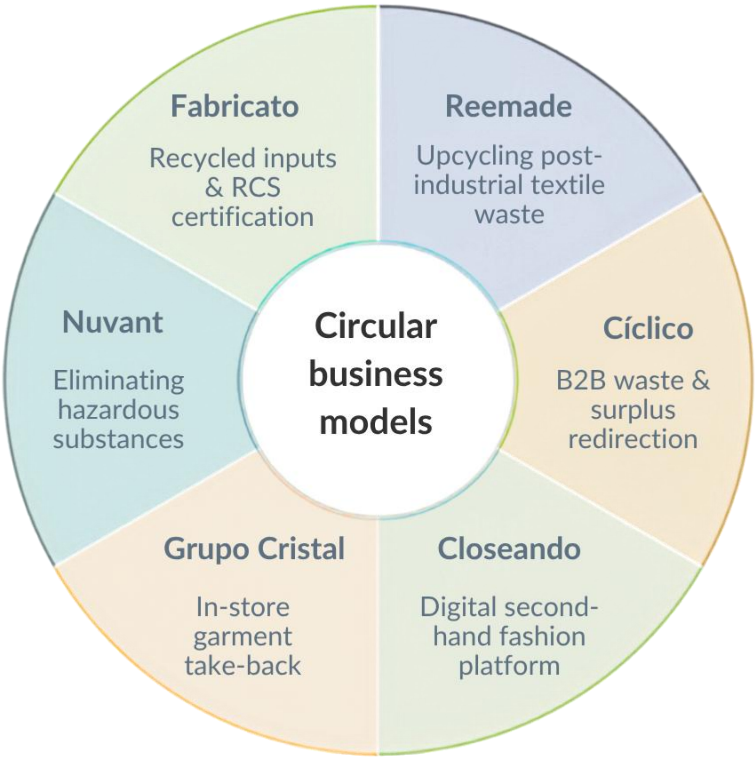
Finance and market forces

One of the key insights from Colombia is that financing works best as a layered pathway. Dedicated programmes for smaller enterprises need to be accompanied by technical support and work alongside commercial finance for larger ones. Results-based finance has also proven particularly promising. Funding is thereby released only when circular milestones are verified and measurable outcomes achieved. Colombia's experience also reveals that market dynamics are a critical lever. Circular products gain traction when they can compete on design and value for money. It was found that sustainability works best as a credible added benefit, not a trade-off that consumers have to make.

Infrastructure

A critical and often overlooked enabler for circularity in the sector is infrastructure. So far, individual companies have built their own collection and reverse logistics systems. As a next step, market actors envision integrating these into collective, multi-brand systems that can reach the volumes needed for industrial-scale sorting and processing of textiles and leverage costs and synergies across actors. It was also found that these systems need a formal legal basis at the local level. Without it, they remain vulnerable to political and administrative turnover

Selected examples of circular business models emerging across the textile value chain.



From vision to action

Colombia has succeeded in convening a broad coalition of actors around circular textiles — spurring innovative business models and moving banks to offer dedicated financing. This dynamic has been built on voluntary action, 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 the upcoming national Circular Textiles Strategy.

This case study is taken from a longer study: 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
See the DCED website for more resources on green private sector development: www.enterprise-development.org.