

# Country brief Colombia



Based on political and economic priorities of Colombia as well as relevance for circular economy (CE), the following two areas of interest are addressed in this country brief:

1. **Production and consumption**
2. **Construction and demolition waste**

© Further information about these areas as well as considerations for other sectors and material streams can be found in the full study ‘Finance for Circular Economy in Low- and Middle-Income Countries’<sup>[1]</sup>, particularly in Section 3.5.

## 1 Production and consumption

**Major challenges for CE:** Innovative circular thinking has not yet taken root among industrial manufacturers and hence, ‘take-make-dispose’-models prevail in the production and consumption sectors. On the decision-maker level, a lack of knowledge about environmental management, e.g. to identify challenges and potential CE business models, exists. The application of the globally established ISO 14001 standard for the management of environmental responsibilities is broadly perceived as costly, complex, and difficult to implement. In addition, a considerable share of business informality – up to 2/3 in some sectors – hinders the application of existing programmes and benefits to foster economic development, as they are targeting formal businesses only.

**Relevant strategies and frameworks for CE:** The Green Growth Policy adopted in 2018 represents a key strategy to foster productivity, growth, and economic competitiveness, while ensuring the sustainable use of natural capital and social inclusion in line with climate targets by 2030.<sup>[2]</sup> As a way to implement the policy, a National Strategy on Circular Economy was released in 2019 by the Ministry of Commerce (MINCIT) and the Ministry of Environment and Sustainable Development (MADS). The strategy serves as a guideline to support the transition towards a CE in prioritised material and resource flows such as packaging, building, industrial materials, mass consumption products, as well as natural resources, by increasing durability, reusability, reparability and recyclability. The implementation of this strategy requires a series of enabling conditions to which international resources, finance and knowledge, can significantly contribute. There is a need to formalise businesses via technical assistance and financial support. Moreover, the uptake of certification schemes for sustainable practices (e.g. eco-labels to foster competition and sustainability) also needs support. In addition, 22 national commercial and development banks have voluntarily signed a Green Protocol together with the National Planning Department (DNP) and the Ministry of Environment and Sustainable Development. The objectives are to move towards sustainable and low-carbon growth, protect and ensure the sustainable use of natural capital and improve environmental quality and governance, as well as to achieve resilient growth and to reduce vulnerability by providing lending for green projects and improving environmental screenings and performance. While some banks have already issued green bonds,<sup>[3]</sup> the country seeks to

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mainstream sustainable finance in all financial operations via standardisation and improved reporting directives. To this end, a green finance taxonomy is under development to provide technical screening criteria that allow classifying activities as sustainable, while developing green capital markets and contributing to effective mobilisation and tracking of private and public resources. With the EU Sustainable Finance Taxonomy as main reference, the focus areas of the Colombia taxonomy are: 1. climate change mitigation; 2. adaptation to climate change; 3. ecosystems and biodiversity; 4. water management; 5. soil management; 6. circular economy; 7. pollution prevention and control.

**Table C1 Production and consumption in Colombia – entry points for circular economy on the Value Hill (excerpt)**

Up-hill	Top-hill	Down-hill
Promote eco-design and manufacturing of sustainable packaging for consumer goods.	Formalise business and introduce certification schemes for sustainable practices.	Extended producer responsibility (EPR) should be broadened and optimised.

**➤ Promising interventions for CE in Colombia – production and consumption**

**1a. Support the establishment of green businesses and improve the environmental performance of SMEs in line with the National Circular Economy Strategy:** Generally, environmental management of businesses needs to be improved. This is particularly urgent for SMEs. Due to lacking financial capacities they are more price-sensitive to integrating circular concepts into their production processes. The most pressing issues identified by the National Strategy on CE are material input intensity, resource inefficiency and poor waste management. To achieve the goals of this strategy, Colombia has highlighted the necessity to cooperate with international partners including on technical assistance for green business development e.g. capacity building and innovation hubs. The Colombian Presidential Agency of International Cooperation (APC) and the Ministries will coordinate programs and projects with international cooperation agencies such as Inter-American Development Bank (IDB), Andean Development Bank (CAF), the Directorate-General for Environment of the European Commission.

**1b. Support the development of the Sustainable Finance Taxonomy component 6 on CE and co-finance the Latin American and Caribbean CE Coalition:** The Colombian Green Finance Taxonomy seeks to develop green capital markets and promote the effective mobilisation of private and public resources towards investments that allow the fulfilment of the country’s commitments towards sustainable development. In the ongoing first phase of developing technical screening criteria, only components 1 to 5 (see above) are under consideration. CE (component 6) will be regarded in the next phase. Assess the opportunity to support the development of technical screening criteria for the CE-component of the taxonomy (via grant funding). While it is expected that the green taxonomy provides more regulatory clarity and prevents greenwashing, other policies should be aligned e.g. the legislation on EPR should be expanded to additional products and activities and optimised to ensure that environmental damage is properly reflected. Additionally, support the Latin America and the Caribbean Circular Economy Coalition via technical assistance/grant funding to upscale their activities on improving access to financing by governments and the private sector for circular activities, to close regulation gaps, and to identify and promote CE-related activities for businesses and financial sector players.

## 2 Construction and demolition waste (CDW)

**Major challenges for CE:** Strong growth and high economic performance have been driven by extensive use of natural resources coupled with low material recycling rates of around two per cent in recent decades. The main barrier for CE in CDW in Colombia is the lack of reuse markets and supply chains, which is amplified by a perceived risk of using recycled materials, e.g. in relation to quality standards and sourcing.

**Relevant strategies and frameworks for CE:** To promote circular approaches for CDW management, the enabling framework needs to be adjusted and access to finance for circular business models improved. Required production and construction components in industrial manufacturing have become more expensive, and disruptions in the supply chains have delayed deliveries due to the COVID-19 pandemic.<sup>[4]</sup> In line with the solid governmental commitment to CE, the post-pandemic economic build-back measures offer a window of opportunity for establishing more circular practices. The Integrated Management of Construction and Demolition Waste Plan established in 2021 builds on the National Circular Economy Strategy and obliges major construction and demolition waste generators to set up industrial symbiosis with other companies to exchange material flows.

Table C2 Construction and demolition waste in Colombia – entry points for circular economy on the Value Hill (excerpt)

Up-hill	Down-hill
Reduce virgin material use by using CDW as raw material and mineral filler (e.g. converted into mineral aggregates for concrete and asphalt).	Target setting for processing of CDW and deconstruction. Establish demolition audits.

### ➤ Promising interventions for CE in Colombia – construction and demolition waste:

#### 2a. Support the enforcement of CE-related regulations in the construction sector by improving data collection and capacity building on full-cycle costing and natural capital accounting:

Circular actions in the construction sector have the potential to drive significant change as 96 per cent of construction and demolition waste are potentially recyclable.<sup>[5]</sup> It is therefore vital to support the introduction of CE principles into construction such as the reuse of CDW in construction processes. The lack of knowledge and data hinders the enforcement of regulations. Therefore, support by development cooperation (via grant funding) could be valuable to improve data collection, availability, and transparency, to establish indicators and accounts on resource efficiency and waste, e.g. based on material flow accounts, and to improve knowledge on environmental impacts and costs of material resource use. Concretely, offer trainings to public and private stakeholders on full-cycle costing and natural capital accounting (e.g. see World Bank WAVES programs) and improve awareness on true cost accounting in the construction sector.

**2b. Support research and development on recycling of construction waste and circular construction:** Explore supporting R&D activities (via grant funding) to develop innovative recycling methods for construction waste and promote circular approaches in the construction sector. For instance, it could be considered to channel support through TESTEO<sup>[6]</sup>, the ‘living laboratory for sustainable construction’ in Colombia. TESTEO was designed and built by the Santand-



er Construction Cluster with support of the Swiss Embassy in Colombia – Economic Cooperation and Development (SECO), taking the NeighborHub, a Smart Living Lab project in Switzerland, as a role model. The lab promotes research activities, innovation and technological development in the construction sector in co-operation with public and private sector actors. Finance corporates carry out financial evaluations for TESTEO to identify opportunities for saving material and increasing profitability, thus, de-risking investment decisions through transparency, awareness building, and a strong network. Additionally, the lab provides a suitable environment to develop capacity and technical trainings on circular construction.

## Key stakeholders for circular economy in Colombia

- ⊗ Since March 2020, the Ministry of Environment and Sustainable Development (MADS), the Ministry of Finance and Public Credit (Minhacienda), the National Statistics Department (DANE), the National Planning Department (DNP), and the Superintendence of Finance, together with representatives from the financial sector are developing the green finance taxonomy.
- ⊗ The Asociación Nacional de Empresarios de Colombia (ANDI) is a non-profit entity with objective of disseminating and promoting economic, environmental and social policies in the industrial sector. It develops capacity building activities, pilot projects and cooperation initiatives with private sector actors and international organisations.
- ⊗ Colombia is a member of the Platform for Green Industry and seeks to increase efficiency in the use of resources, improve waste management, better utilise renewable energy, and support research and innovation for green industry.
- ⊗ The global Resource Efficient and Cleaner Production Network (RECPnet) promotes eco-innovations, supporting especially manufacturing SMEs. In Colombia, the Centro Nacional de Producción más limpia y tecnologías ambientales Colombia (CNPMLTA) is a partner of the network.

<sup>[1]</sup> GIZ, Frankfurt School, FS-UNEP Collaborating Centre for Climate & Sustainability Energy Finance (2021). Financing Circular Economy in Low- and Middle-Income Countries. <https://www.giz.de/de/weltweit/15109.html>.

<sup>[2]</sup> National Planning department (DNP), Documento CONPES 3934 Política de Crecimiento Verde. Available at: <https://www.dnp.gov.co/Crecimiento-Verde/Documents/Pol%C3%ADtica%20CONPES%203934/Resumen%20Pol%C3%ADtica%20de%20Crecimiento%20Verde%20-%20diagramaci%C3%B3n%20FINAL.pdf>.

<sup>[3]</sup> CDKN (2017). Bonos verdes para el financiamiento climático en Colombia. [https://cdkn.org/es/noticia/webinar\\_bonosverdes](https://cdkn.org/es/noticia/webinar_bonosverdes)

<sup>[4]</sup> Camacol, April 2021. Informe económico 110. Available at: [https://camacol-new.demodayscript.com/sites/default/files/descargables/Informe%20Econ%C3%B3mico%20110%20VF\\_%20Formato.docx\\_.pdf](https://camacol-new.demodayscript.com/sites/default/files/descargables/Informe%20Econ%C3%B3mico%20110%20VF_%20Formato.docx_.pdf).

<sup>[5]</sup> Colombia Productiva, Centro Nacional de Producción más Limpia, 2020. Guía Empresarial Economía Circular. Available at: <https://www.colombiaproductiva.com/ptp-capacita/publicaciones/transversales/guia-empresarial-de-economia-circular/200310-cartilla-economia-circular>.

<sup>[6]</sup> Swisscontact (2021). Colombia launched a living laboratory for sustainable construction. <https://www.swisscontact.org/en/news/Colombia-launched-first-living-laboratory-for-sustainable-construction>.

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