Territorial Financing for Recovery from Natural Disasters: Bancóldex's Blooming Roots Fund

The Blooming Roots Fund, launched by Bancóldex in response to the impact of Hurricane Iota, is a territorial financing model aimed at rebuilding the productive fabric after a natural disaster. With approximately COP 3.55 billion (US$1.07 million) in resources, it combines direct investment (75%) with technical assistance (25%), using instruments such as revenue-based financing to align repayments with business recovery.



Extreme climate events pose a particular challenge for financial institutions. After a disaster, businesses need resources to rebuild infrastructure, replenish working capital, and restore operations, while at the same time facing lower revenues, asset losses, greater uncertainty, and, in many cases, a reduced ability

Extreme climate events pose a particular challenge for financial institutions. After a disaster, businesses need resources to rebuild infrastructure, replenish working capital, and restore operations

to provide collateral. This creates a paradox: financing needs rise precisely when access to traditional credit may decline. For development banks, such scenarios test not only their capacity to provide resources, but also their ability to design instruments tailored to conditions that conventional financial markets find difficult to address.

In November 2020, following the effects of Hurricane Eta in Colombia, Category 5 Hurricane Iota directly struck the archipelago of San Andrés, Providencia and Santa Catalina. In Providencia, the event destroyed approximately 98% of the infrastructure, affecting housing, public services, social facilities, ecosystems, and productive activities. The disaster also occurred during the COVID-19 pandemic, deepening the difficulties of an island economy highly dependent on activities such as tourism and trade.

Before these events, the archipelago had approximately 62,000 inhabitants and a land area of about 53 km². Tourism and trade together accounted for around 57% of wealth generation, and the territory received more than 700,000 tourists each year. Its GDP per capita was around US$9,200 in 2020, while its share of Colombia's GDP was approximately 0.15%. This reflected a small economy in national terms, but one highly dependent on activities particularly sensitive to both mobility restrictions and infrastructure disruptions.

Iota therefore created a challenge that went beyond physical reconstruction. Numerous micro and small enterprises saw their operations interrupted and cash flows deteriorate just as their investment needs increased. From a financial perspective, many of these businesses still had prospects



for recovery, but did not necessarily meet standard credit assessment parameters in the period immediately following the disaster. This gap between a firm's potential economic viability and its temporary ability to access financing is precisely one of the areas where development banking can provide additionality.

FROM EMERGENCY RESPONSE TO A LONG-TERM FINANCIAL SOLUTION

Bancóldex addressed to this situation by drawing on institutional experience that had begun several years before the disaster. Since 2009, the Bank has invested in private equity and venture capital funds, an activity that has reached more than 300 businesses in Latin America, approximately 130 of them in Colombia. This track record made it possible for the response to the Providencia crisis to go beyond a conventional credit line.

In 2021, Bancóldex began structuring an investment facility specifically aimed at restoring the business fabric of Providencia and Santa Catalina. The result was the Blooming Roots Fund, which began operations in 2022 and was designed to channel resources to local businesses mainly linked to tourism, trade, agribusiness, and business infrastructure. The vehicle is managed by Amplo and Grassroots Business Fund, organizations with experience in impact investing and business strengthening.

THE FUND'S INVESTMENT STRATEGY

The Fund has approximately COP 3.55 billion (US$1.07 million[1]) in resources, 98% of which was contributed by

a) DIRECT INVESTMENT (~75%)

Trade, tourism, and agribusiness companies

Focus:	Investment in companies operating in Providencia in tourism, agribusiness, and trade.
Use of funds:	Infrastructure and working capital.
Instrument:	Revenue-based financing.
Amount:	60%-80% (of the amount allocated to investment).
Investment period:	2 years.
Term:	10 years.

Business infrastructure organizations

Focus:	Investment in basic infrastructure projects on the island led by companies.
Use of funds:	Infrastructure and working capital.
Instrument:	Subordinated investment.
Amount:	20%-40% (of the amount allocated to investment).
Investment period:	2 years.
Term:	10 years.

b) TECHNICAL ASSISTANCE (~25%)

Technical assistance and business support

Focus:	Support for business strengthening and the development of business plans.
Use of funds:	Business plans, financial planning, and implementation of strategic plans.
Instrument:	Non-reimbursable funds.
Amount:	60%-80% (of the amount allocated to technical assistance).
Term:	4 years.

Accounting and back-office processes

Focus:	Cross-cutting support for financial monitoring, back-office, and accounting processes.
Use of funds:	Accounting and financial support.
Instrument:	Non-reimbursable funds.
Amount:	20%-40% (of the amount allocated to technical assistance).
Term:	4 years.



Bancóldex. Its investment strategy is based on providing: (a) direct investment in companies that operate or strengthen business infrastructure; and (b) technical assistance and back-office and financial processes.

This design is based on the idea that, particularly for microenterprises and local economies with lower levels of business sophistication, financial constraints do not arise solely from a lack of capital. The quality of accounting information, cash-flow planning, administrative organization, and the capacity to develop a commercial strategy also shape the ability to use resources productively and sustain the business over time.

RESULTS

To date, close to COP 2.0 billion (approximately US$609.[2] thousand) has been invested in microenterprises producing bio-based products, business infrastructure facilitators, and nature tourism, providing the financial and technical tools needed for sustainable growth.

All of these are microenterprises led by local residents, generating a positive impact in their areas of influence through the formalization of their operational, accounting, and hiring processes.

For all of the companies, this has been their first opportunity to access investment capital, and 75% of the companies in the Fund's portfolio are led by women. One hundred percent of the companies have implemented climate-resilience strategies. Average annual revenue growth among the investee companies has been 59%.

By improving operational efficiency, expanding market access, and integrating climate-resilience strategies, this locally focused fund demonstrates how micro, small, and medium-sized enterprises can drive systemic change in their local economies and communities, aligning with Sustainable Development Goals (SDGs) 5 (Gender Equality), 8 (Decent Work and Economic Growth), and 13 (Climate Action).

1. Calculated using an average exchange rate of 3,500 in 2019.
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EXPECTED IMPACTS AND BENEFITS

ECONOMIC

- Expanded access to financing for businesses that would not have been able to obtain traditional credit in the island and post-disaster context.
- Strengthened business capabilities, especially in financial management, cash-flow control, and decision-making.
- Contribution to the sustainability and survival of local businesses, even amid declining revenues and restrictions on tourism.

SOCIAL

- Creation and retention of local employment, with an emphasis on women's employment.
- Improved working conditions in companies that implement health and safety protocols.
- Reduced gender inequalities in access to financing, business leadership, and participation in local value chains.

ENVIRONMENTAL

- Progressive integration of waste-management practices, ecosystem protection, and marine conservation, particularly in diving tourism and nature-based accommodation.
- Environmental awareness among business owners and workers, with the potential to scale toward more structured practices over the medium term.