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DPP Readiness Study for the Textile Industry in the Global South

WHITE PAPER, JUNE 2025

ACKNOWLEDGMENTS

This white paper contributes to UNIDO's work on Sustainable Supply Chains and was prepared under the overall guidance of the UNIDO Division on Digital Transformation and AI Strategies. The Division of Digital Transformation and Artificial Intelligence (TCS/DAI) promotes digital transformation and Artificial Intelligence as well as associated technologies as part of innovation ecosystems consisting of productive capacities in manufacturing, services and digital firms, with the purpose to advance the competitiveness of industries and manufacturing firms in Member States. It helps industries to benefit from the rapid progress in digital and convergent technologies associated with the Fourth Industrial Revolution (4IR), ensuring a smooth transition towards safe and secured cyber- physical industrial systems and a smart society and mitigating any negative adverse effects on employment and quality of work. Through the Division's services, the productive transformation is the key, by integrating industrial businesses, dynamic entrepreneurship, and acceleration services, and by applying technological innovation to smart manufacturing, smart energy, smart agribusiness and others, in developing countries, transition and emerging economies, with emphasis in developing countries to provide the opportunity to technologically catch up instead of falling behind industries in more advanced countries.

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UNIDO extends its appreciation to The Digitalization for Circular Economy Initiative, in which UNIDO as one of the co-leads along with other members seeks to harness digital technologies to accelerate and scale environmentally and socially inclusive circular economies.



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ABBREVIATIONS

4IR	Fourth Industrial Revolution
API	Application Programming Interface
CAS	Chemical Abstract Service
CODES	Coalition for Digital Environmental Sustainability
DPP	Digital Product Passport
EPREL	European Product Registry for Energy Labelling
ERP	Enterprise Resource Planning
ESPR	Ecodesign for Sustainable Products Regulation
EU	European Union
MSME	Micro, Small- and Medium-sized Enterprises
ISO	International Organization for Standardization
NGO	Non-governmental organization
PLM	Product Lifecycle Management
ToT	Training-of-Trainers
UNIDO	United Nations Industrial Development Organization

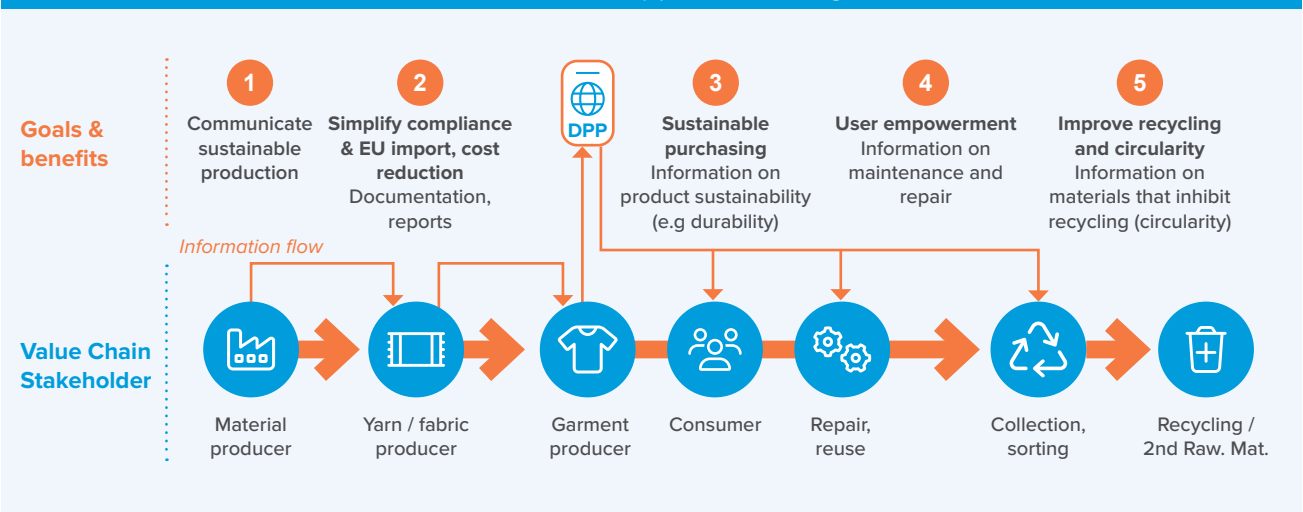
1 Context & Objectives

In the last decade, resource production and consumption have surged, bringing an unprecedented variety of products to the market. In response, the European Union is refining regulations to ensure sustainability remains at the core of this growth. With the Ecodesign for Sustainable Products Regulation¹ (ESPR), an evolution of the 2009 Ecodesign Directive, the EU is setting new sustainability benchmarks across multiple sectors with textiles expected to be one of the first sectors to be regulated by a delegated act under the ESPR.

A new and particularly important requirement at the heart of ESPR lies an essential requirement: the Digital Product Passport (DPP). Designed to enhance

transparency and product circularity along the entire value chain, the DPP collects and shares key product data—such as material composition, sustainability labels, and product care instructions to distribute information from stakeholders along the entire value chain. By bridging information gaps, it aims to drive sustainable production, empower conscious consumer choices, extend product lifespans through repair and reuse, and improve resource efficiency via recycling. Although the details of the implementation of Digital Product Passports are unclear, textiles are expected to be one of the first sectors to be regulated by a delegated act under the ESPR.

FIGURE 1: The DPP collects and shares key product data along the entire value chain



1) European Commission, Proposal for a Regulation establishing a framework for setting ecodesign requirements for sustainable products COM (2022) 142 final.

The EU’s upcoming Digital Product Passport (DPP) under the Ecodesign for Sustainable Products Regulation (ESPR) is set to transform global textile supply chains by mandating product transparency and traceability in data. While this is a key step toward circularity, producers in the Global South—critical to the EU’s textile imports—face unique challenges that risk exclusion from global markets.

As such, whilst these regulations seek to steer global production towards greater sustainability, they also pose potential risks of creating new trade barriers,

especially affecting micro, small- and medium-sized enterprises (MSMEs) in the Global South. As the requirements from DPP are majorly on the producers, these might pose a huge challenge for companies as new technical infrastructures have to be implemented, and key information has to be collected in a standardized way. Given the above, the complexity of these regulations could present a significant challenge to companies, leading to adverse consequences if not navigated correctly and imposing significant economic costs.

By conducting interviews and gathering primary empirical data, this assessment helps to achieve the following:

- Identify and highlight the unique challenges faced by the Global South** in implementing and adhering to upcoming regulations and initiatives related to the DPP in the textile industry.
- Evaluate the **readiness of upstream textile companies in the Global South towards the ESPR and DPP across five** categories: Policy, Technological, Organizational, Supply Chain, and Information Readiness. Each plays a critical role in enabling effective DPP implementation. **Policy readiness** forms the foundation – without awareness and understanding legal obligations under the ESPR companies cannot prepare properly. With clarity on requirements, **technological readiness** assesses whether firms have the resources and infrastructure to follow the requirements, such as systems for structured data, interoperability, and hosting. This feeds into **organizational readiness** which addresses transformation capacity such as internal awareness, adaptability and management engagement. Building on this, supply chain readiness evaluates companies’ ability to exchange data across partners using common standards. Finally, **information readiness** determines whether companies can provide the product data with specific granularity and detail, as required by the DPP.
- Enhance awareness and understanding among the public and private sectors in developing countries in the Global South** about existing and emerging regulations within the textile industry. It is crucial to start preparing now, to raise awareness and build capacity of institutions and companies to be able to facilitate data sharing, transparency, interoperability and use of digital technologies and thus comply with DPP and ESPR requirements once it is implemented.
- Providing effective guidance insights and solutions** for effective implementation for developing countries in the Global South in the textile industry to comply with evolving regulations and standards, implement sustainable business practices and traceability mechanisms in light of the DPP, and increase competitiveness in a dynamic market environment, ensuring that local companies can serve a long-term transition towards more sustainable production practices in an economically viable way.

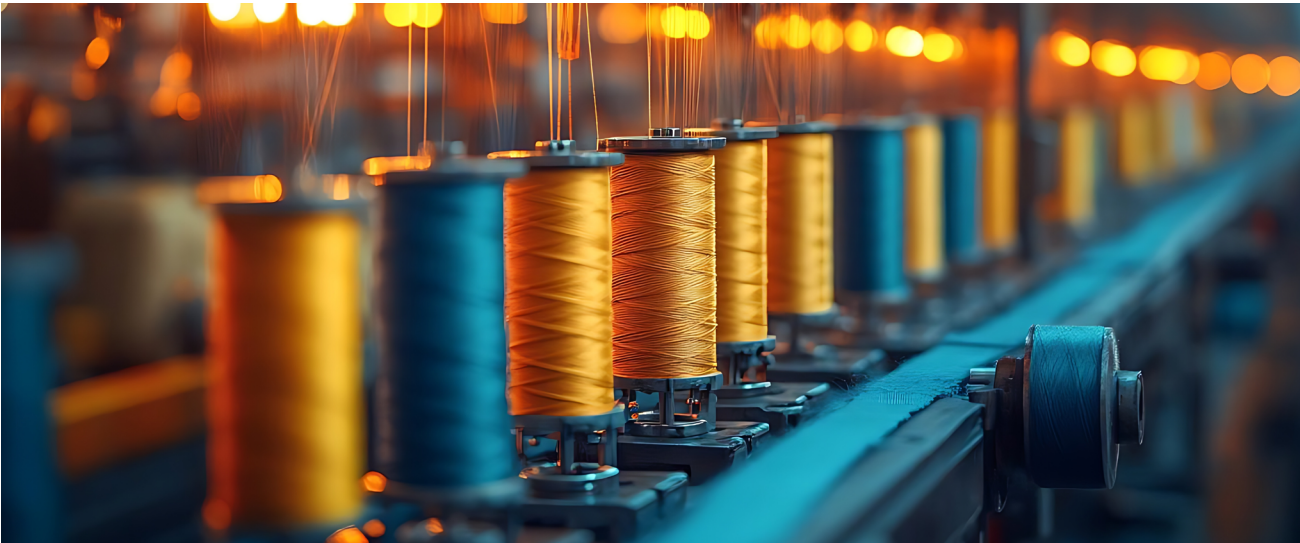
2 What is the Current State and Readiness of the Global South towards the ESPR and DPP?

To shed light on this, a new assessment study, conducted by UNIDO in cooperation with the Digitalization for Circular Economy (D4CE) Impact Initiative² led by the One Planet Network explores the readiness of over 100 textile companies across all Tiers and respective industry associations within the countries in the Global South that are main textile exporters to the European Union (Bangladesh, China, Egypt, India and Turkey).

The survey tool was designed with a semi-structured interview approach and administered via Lime Survey Software. A training-of-trainers (ToT) program was conducted with the enumerators in the respective surveyed countries. Initially, the study aimed for a sample size of 35-40 firms per country to balance

obtaining reliable data across multiple countries with the costs and resource considerations of conducting the survey. Despite the finite sample size, careful consideration was given to the selection of firms to ensure major representation of medium-sized firms, followed by small and micro-sized firms. Using proportional allocation sampling, a ratio of 3:2:1 was adopted to achieve this representation.

The initial findings presented below reflect the current status quo of 104 textile companies and 9 industry associations operating in Bangladesh, Egypt, and India, and aim to be able to provide initial insights into the current status quo of the Global South in light of the ongoing EU consultation process.



2) Coalition for Digital Environmental Sustainability (CODES), Digitalization for Circular Economy Initiative (2023). Available at: <https://www.codes.global/resources/digitalization-for-circular-economy-initiative>.

2.1 FIRM CHARACTERIZATION

	Size of firms	Among surveyed firms, 62.5% are medium-sized or larger, 26.9% are small, and 10.6% are micro-sized. All firms in Bangladesh are medium/large, while firms in Egypt and India show a mixed size distribution.
	Tier	Most firms operate at the Garment (37.5%) and Fabric (30.8%) stages of the textile value chain, with smaller shares in Yarn (17.3%), Raw Material (13.5%), and Retail (1%).
	Sector	The majority specialize in Apparel Textiles (82.7%), with some presence in Home/Interior Textiles (32.7%) and smaller shares in Technical Textiles and Footwear.
	Role in value chain	Firms predominantly occupy manufacturing roles (99%), with smaller representation from Brands (23%), Distributors (12.5%), Importers (7.7%), and Recyclers/Sorters (6.7%).
	Affected by EU compliance	67.7% of Egyptian firms, 37.5% of Indian firms, and 50% of Bangladeshi firms export directly or indirectly to the EU, making them likely to be affected by upcoming ESPR regulations.

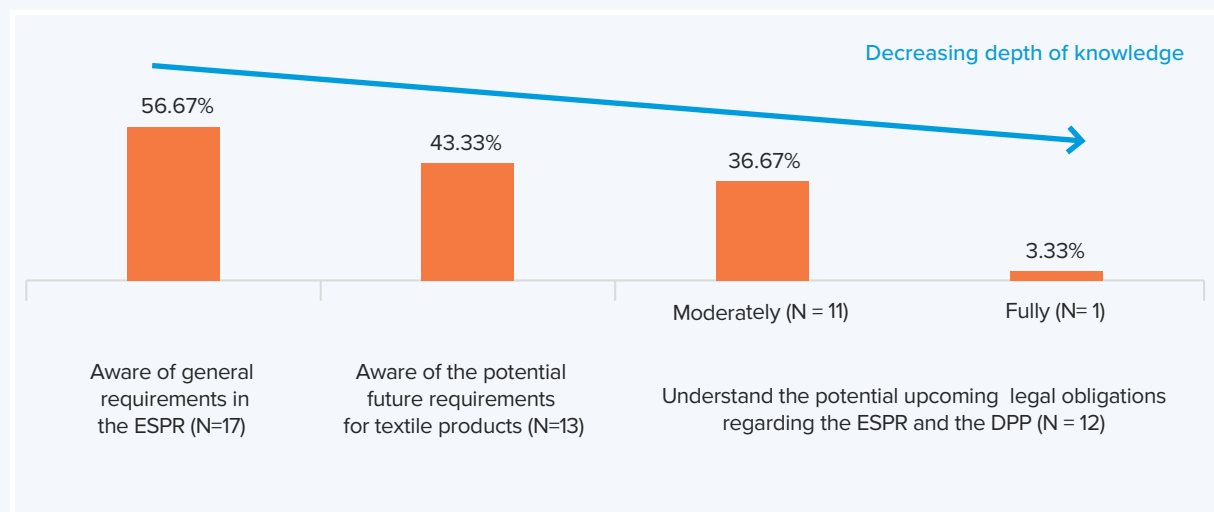
2.2 POLICY READINESS: LOW

Regulations like the ESPR are complex and compliance depends on understanding them. Here, the survey differentiated between the awareness of current horizontal ESPR requirements, the potential upcoming requirements specific to textile products and furthermore if companies are not only are aware but also understand what these requirements mean. The questions were applicable only to survey participants who stated that they will be affected by the ESPR.

This category evaluates:

- Awareness of current or upcoming ESPR requirements (on DPP or required information).
- Companies' ability to understand these requirements.

FIGURE 2: Policy Readiness (%)



Questions in figure:

- 1 Is your company aware of the current legal obligations from the ESPR, such as to provide information on substances of concern?
- 2 Is your company aware of the upcoming legal obligations regarding the EU regulation on the DPP/ESPR?
- 3 Does your company understand the upcoming legal obligations?

The assessment reveals a **significant knowledge gap regarding the ESPR and its implications**. Notably, up to 45% of micro-enterprises and 35% of small enterprises reported being unaware of the general ESPR requirements, highlighting a pervasive lack of policy awareness across the smaller segments of the textile sector. Quote:

We are lacking technological resources as well as knowledge about the DPP.

Textile Export council (TEC), Egypt.

This knowledge gap widens when examining companies' understanding of upcoming or more specific obligations, including those related to the DPP. Given the fact that sector-specific delegated acts for textiles are still

under development, it is somewhat expected that the understanding about detailed requirements is limited. However, the ESPR already references some specific requirements, such as REACH (Regulation (EC) No. 1907/2006) and CLP (Regulation (EC) No. 1272/2008) regarding information on substances of concern - indicating a lack of preparedness which is a key barrier to early-stage alignment and investment.

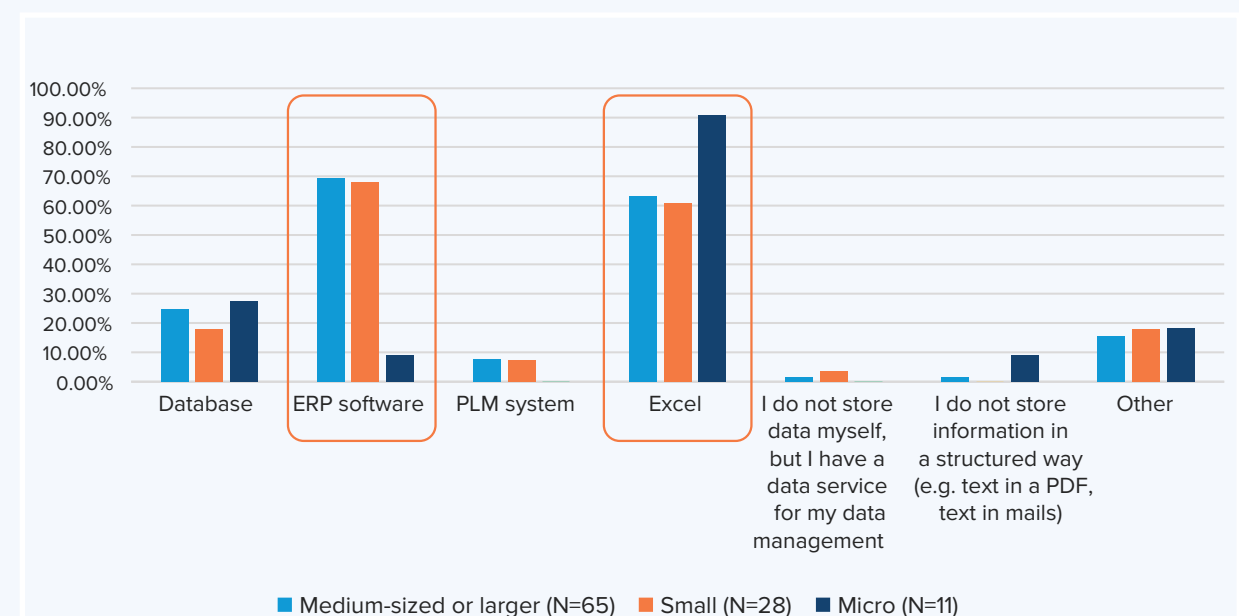
The findings suggest that this lack is not only about awareness of legal texts, but also about the practical understanding, interpretation and relevance of these requirements to different actors in the value chain. The results are suggesting the need for tier-specific, simplified and clear guidance, especially for smaller companies, in complex, multi-tiered supply chains.

2.3 TECHNOLOGICAL READINESS: MID

Technological readiness reflects a company's ability to technically deliver the DPP as envisioned by the ESPR. This dimension focuses on the ESPR's 8 technical modules and further technical capacities, including:

- Use of structured data systems (e.g. ERP, PLM)
- Intention to set up own DPP in-house or via service providers
- Capability to host DPP in-house through:
 - › presence of an administrator or software developer;
 - › their ability to provide 8 technical modules (data storage infrastructure, APIs, data carrier, etc.).

FIGURE 3: Tool for storing information in a structured way (N=104)



Question in figure:

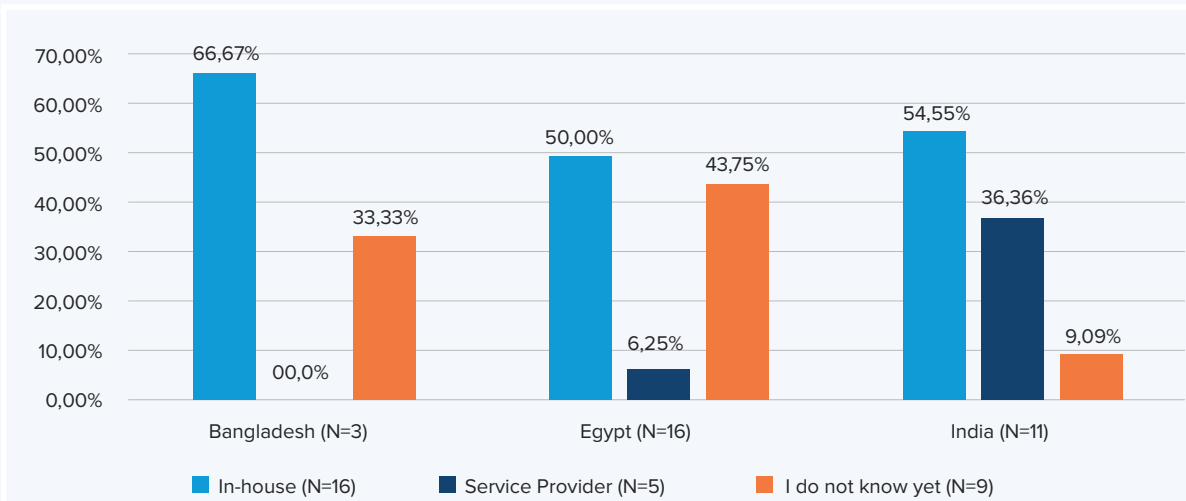
- 1 If you store information on processes, materials, products in a structured way, what tool do you use?

All respondents have been asked about the **digital tools** that are currently being **used to store information in a structured way**. About 60-70% of small, medium sized or large companies responded that both, Excel and ERP system are widely used. Not surprising, a clear difference emerges when compared to micro companies, who rely majorly (91%) on Excel. Considering the dominance of micro companies in the textile sector, this finding represents a critical challenge.

Furthermore, when **assessing the technical capabilities in relation to the outlined 8 technical modules for the ESPR**, there seems to be a mismatch and capability gap between data architecture (which involves the design and structure of data systems) and data management

(which focuses on the processes of storing, securing, and maintaining data). The majority of surveyed suppliers in the textile industry in the Global South that is planning to develop and host the DPP in house has a data storage infrastructure in place (88%), use data carriers such as QR codes (81%), and use unique identifiers (76%). More complex technical aspects are less commonly used, with only 56% have access rights management and even lower in terms of data processing capabilities (31%), data authentication tools (28%), and APU use (22%). Notably, the use of unique identifiers at 76% is consistent across all surveyed firms, regardless of size or implementation stage.

FIGURE 4: Do you plan to commission a data service provider to create DPP (Country, N=30)



Question in figure:

1 If you are affected by the Ecodesign for Sustainable Products Regulation (ESPR) / obligated to issue a Digital Product Passport (DPP), do you plan to commission a data service provider to create the DPP for you, or do you plan to set up an own DPP in-house?



When looking at companies who stated to be affected by the ESPR, the intention to implement the DPP by country shows notable differences that reflect varying levels of confidence, digital maturity, and perhaps national support structures. In Bangladesh, the inclination to develop the DPP in-house is particularly strong, with 67% of companies indicating this preference. Similarly, 55% of Indian companies and 50% of Egyptian companies also plan for in-house implementation.

Overall, the findings show that the intention to implement the DPP in-house is strong among companies, particularly larger ones and those situated in production-related tiers of the textile value chain. Among medium-sized or larger firms, over 60% plan to develop the DPP internally, reflecting a perceived benefit in maintaining control over data, customer interactions and a self-estimated digital maturity. In contrast, small companies show much greater uncertainty, with none indicating plans to outsource and most remaining undecided, suggesting a lack of clarity or capacity to evaluate their options. Across the value chain, actors at the garment, fabric, and yarn stages (Tiers 1-3) also lean heavily toward in-house

development, while Tier 4 (raw material) suppliers show slightly lower confidence, and the sole Tier 0 (retailer) participant opted for an external service provider.

These figures suggest that firms in these countries either see strategic value in managing the DPP themselves or perceive it as a requirement tied to data control and customer expectations. In Egypt, the high share of undecided respondents further highlights ongoing uncertainty and the need for structured decision-making support. Overall, the results point to **the importance of country-specific guidance and capacity-building efforts** that align intention with realistic implementation pathways. However, considering the results on actual technical capabilities, such as the presence of IT administrators, data infrastructure and the ability to meet the ESPR's eight technical modules, it becomes apparent that some **companies may be overestimating their readiness**. The intention to implement DPP internally may reflect strategic aspiration rather than an accurate assessment of existing capacities. This is underscored by the following questionnaire results.

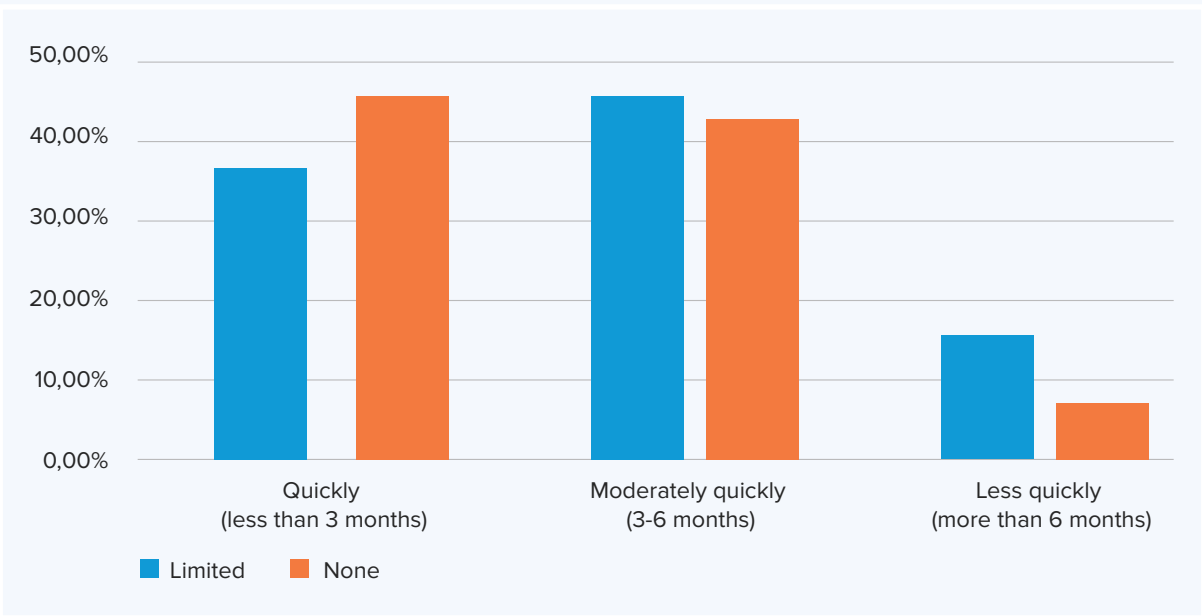
2.4 ORGANIZATIONAL READINESS: MID-LOW

Organizational readiness reflects the internal capabilities of the organization with regards to a successful implementation of DPPs. As such, this category evaluates whether employees, management and company can handle the changes that DPP and the ESPR require. Organizational readiness is a precursor to any technical or strategic transformation. Even with

advanced systems, lacking staff capacity or awareness hinders progress. Key elements of the analysis include:

- Awareness and commitment from management.
- Employee adaptability and digital literacy.
- Existence of training programs and change management.

FIGURE 5: DPP Knowledge by Employee Adoption



Questions in figure:

- 1 How quickly do your employees adapt to changes, e.g. adapt to new customer requirements towards changes in manufacturing or auditing? [quickly; moderately quickly; less quickly]
- 2 What is the current knowledge of Digital Product Passports (DPP) amongst the relevant employees? [advanced; limited; none]

Considering the organizational perception of the introduction of the DPP and its respective opportunities, our findings show that independent of the company size and value chain stage (Tier1-4), the majority of respondents perceive the DPP as beneficial, while some companies express the wish to gain financial and other benefits. Quote:

We would like to generate profit ensuring customer satisfaction and environmental betterment in a sustainable way.

Turkish medium sized manufacturer.

In terms of the employee adaptability and digital knowledge; the current knowledge and awareness on the DPP amongst relevant employees is very low.

Nevertheless, almost all companies provide trainings to employees and almost all employees adapt quickly (0-6 month) to new requirements. In other words, while employees might lack DPP knowledge, they are quick learners and the majority of companies provide trainings on new skills or on new technologies for the employees.

In terms of technical resources and adaptability of management: 65% of micro and 39% of small-sized companies lack resources and technical staff. This gap is even more pronounced among Tier 4 suppliers, where only 28.57% have adequate number of resources and technical staff to be able to adopt a DPP. Besides the relatively low levels of available resources, it was also found that regardless of company size-over 90% of respondents indicated that the management level within their companies can adapt quickly or moderately quickly (within 6 months) to technological changes.

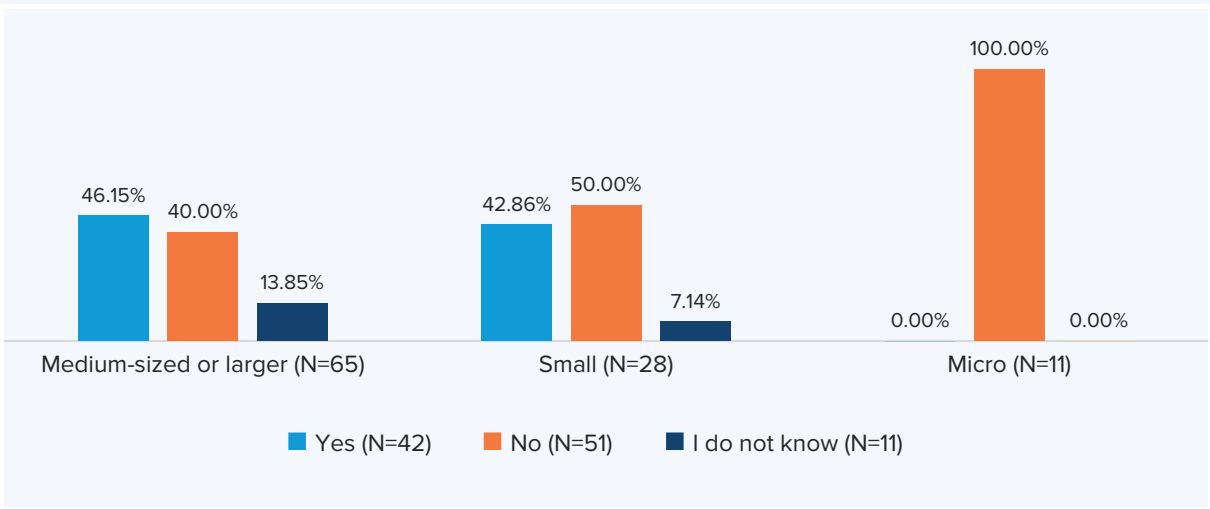


2.5 SUPPLY CHAIN READINESS: MID-LOW

Given the interconnected nature of textile value chains, examining the supply chain readiness helps assess the current relationship between supplier and their existing data exchange activities to reflect whether the DPP implementation is feasible across actors, not just at the final production stages. This dimension looks at:

- Existing practices in data sharing across supply chain partners.
- Use of common standards for communication and documentation.
- Readiness of upstream and downstream actors, especially in multi-tier chains.

FIGURE 6: Data sharing using industry standards by size of firm



Question in figure:

- 1 Are you using market/ industry standards for data sharing (e.g. towards interface, format, security, etc.)?

Although data exchange across supply chains is common, 51% of surveyed companies reported that they do not use any industry standards for data sharing. This challenge is especially pronounced in Tier 3 (yarn) and Tier 4 (raw material) suppliers, where only 50% and 14.3% respectively reported using such standards. This lack of standardization can hinder the effective implementation of the DPP, which relies on interoperable, structured data across actors and tiers. Quote:

DPP should not only be consumer-centric but also industry-centric providing ginners with real-time access to raw material availability which will help in cost savings in labor and reducing machine downtimes.

Indian Textile Accessories & Machinery Manufacturers' Association (ITAMMA), India.

When disaggregated by company size strong differences emerge with 100% of micro-sized firms reported to not using industry standards. Small firms are split nearly evenly, with 43% using standards and 50% not using them, while medium-sized or larger companies show slightly higher adoption at 46%, though still far from universal. These figures highlight a clear digital divide, the smaller the company, the lower the likelihood of standardized data practices.

Even among companies that acknowledge being affected by the ESPR, only 60% report using any form of industry standard, pointing to a **disconnect between regulatory awareness and operational practice**. Moreover, there is no dominant standard in use - firms cited a range of formats such as ISO 27001, JSON/XML and broader quality or sustainability frameworks like ISO 9001 and ISO 14000, which are not specific to digital data exchange.



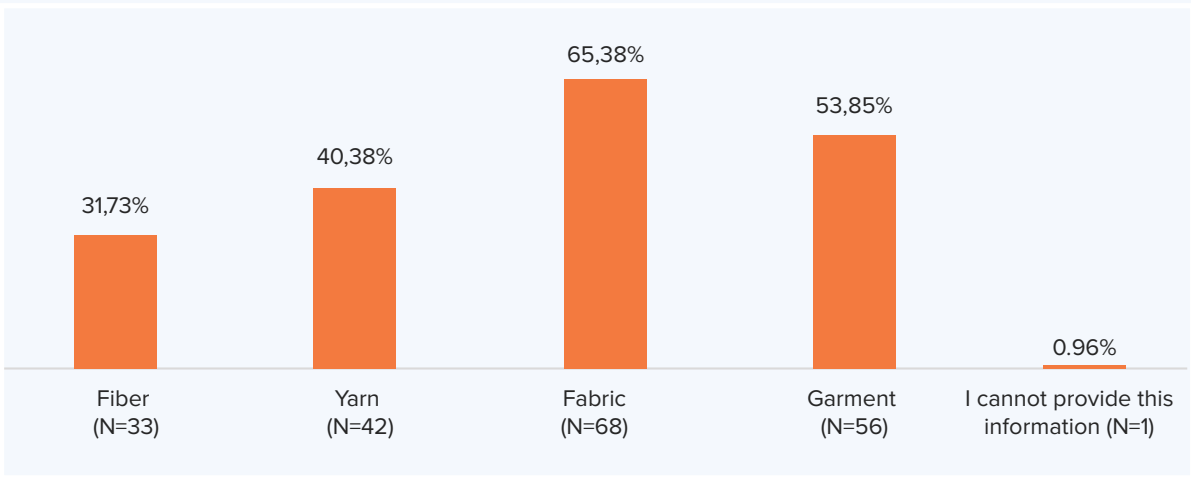
2.6 INFORMATION READINESS: MID-HIGH

Information provision readiness is a core enabler of DPP functionality - without reliable, granular product data, the passport is ineffective. This category therefore assesses:

- Whether companies have access to the right data (e.g. material composition, substances of concern).

- Their ability and willingness to share it with regulators and/ or the public.
- The granularity and format in which this data exists.

FIGURE 7: Information availability about the material composition of the product (N=104)



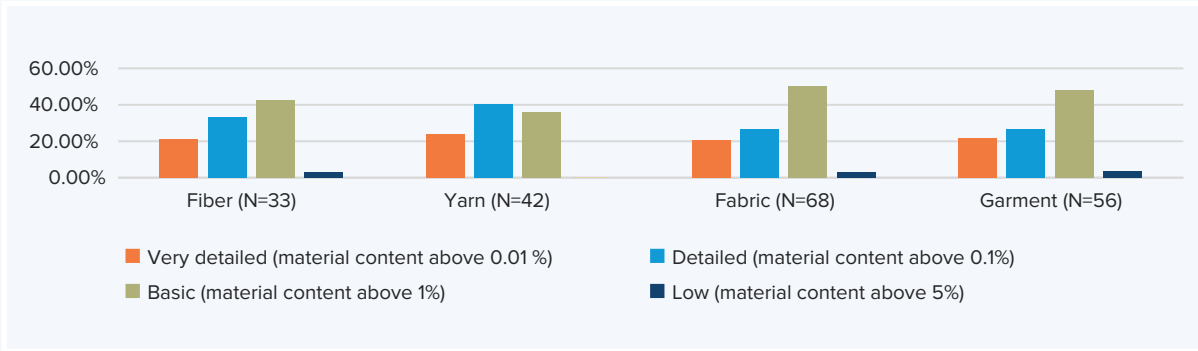
Question in figure:

- 1 On which level can you provide information about the material composition of your product?

The assessment shows that most companies in the Global South are willing and able to share product-related information, especially when required by regulation. 70% of firms indicated their willingness to disclose substance-related information to

market authorities, while 30% would even make this information publicly available. Only a very small fraction (1–2%) reported being unable or unwilling to provide material data.

FIGURE 8: Level of detail on the materials included in your product



Question in figure:

- 1 To which level of detail do you know the materials included in your product?

Material traceability improves along the value chain, with information availability increasing from fiber level (32%) to fabric level (65%). The most commonly used identifiers include batch numbers (86%), CAS numbers³ (14%), and other tracking methods. In terms of chemical

safety, around 50% comply to REACH, and another 41% refer to other restricted substance lists to identify substances of concern. A majority can report substance content down to thresholds above 0.1–1%.

3) A Chemical Abstract Service (CAS) Number is a unique identifier that ensures precise communication and connects all data related to a specific chemical substance..

3 Initial Conclusions and Recommendations

The preliminary results presented in this study show the readiness of over 100 textile companies across Bangladesh, India, and Egypt towards the DPP, offering the first quantified picture of the actual situation, highlighting readiness levels and needs across company sizes and value chain tiers. While some of the findings confirm expected challenges, such as as limited technical and staffing capacity among smaller firms and upstream actors, the results also reveal critical gaps in policy awareness, fragmented supply chain coordination and links between the five readiness categories.

Policy readiness remains low, with many companies unaware or unclear about their obligations under the ESPR, which limits early investment and preparation. Although there is strong willingness to adopt DPPs, particularly among larger firms, and in-house implementation is widely intended, actual technological capabilities remain limited in key areas such as data authentication, APIs, and access management. Organizational readiness is characterized by low awareness but high adaptability, indicating that companies could catch up quickly if provided with appropriate training support. Supply chain readiness is constrained by the lack of consistent data-sharing

standards, particularly among micro-sized and Tier 4 suppliers. Information readiness is relatively advanced, with most companies able and willing to provide material-level data, often at batch level. These findings underscore that readiness in one area cannot substitute for deficits in another. ESPR/DPP understanding enables planning, technological capability enables execution, and organizational, supply chain, and information readiness determine overall effectiveness.

To ensure effective and equitable implementation, upcoming requirements from the delegated acts for textiles must be communicated in a clear, stage-specific manner, especially for actors in Tiers 1 through 4. Companies require guidance on technological options, implementation pathways, and the trade-offs between in-house and externally hosted DPP solutions. UNIDO is well-positioned to play a pivotal role in supporting the Global South's alignment with the DPP by providing effective guidance, capacity building, insights, and promoting digital and AI-based solution tools to enhance the readiness of MSMEs in all aspects.



4 Practical Steps towards ESPR & DPP Readiness for Industry

For effective support, companies need to know **what** is expected of them, **which** technology and data is required and need to be disclosed, **when** these requirements will apply and **how** compliance can be achieved with

limited resources. For practical guidance, the following consecutive steps are suggested for companies to enhance their readiness:



POLICY KNOWLEDGE

- Companies must assess **whether ESPR applies to them**.
- Provide user-friendly **compliance checklists and legal summaries**.



TECHNOLOGICAL SUPPORT

- Companies should evaluate internally whether to build or outsource DPP infrastructure, based on **capacity and long-term strategy**. Support with information on requirements and costs, e.g. by potential business-cases.
- Clarify the real costs and risks of in-house vs. external DPP hosting.



ORGANIZATIONAL SUPPORT

- Despite high adaptability, **digital skills and resources remain low**.
- In particular, for in-house DPP hosting, micro and small companies need **targeted support**, including simplified information and training materials on technical and process-related requirements for employees as well as demonstrative use-cases highlighting potential business models and benefits.



SUPPLY CHAIN SUPPORT

- With ESPR requirements clarified, invest in digital capacity-building and engage upstream supply chain partners in the adoption of standards.
- Facilitate **improved supplier relations and standardized data exchange protocols**, in particular between Tier 4-2.



INFORMATION SUPPORT

- Companies must evaluate which information is already collected and which is additionally required. With current data provision on **fabric-level traceability** and a material detail level of **0.1-1%** mostly available on **batch-level**, information might already be sufficient.
- Engage with downstream customers to clarify expected information and early guidance.

5 Recommendations for Policymakers, Industry Associations and Development Agencies



FOR POLICYMAKERS

- Follow a tiered implementation approach, starting with realistic requirements, considering current readiness levels.
- Develop and disseminate **tier-specific, language-accessible DPP guidance (technical and informational requirements)**, including for non-EU suppliers.
- Consider the **Global South** in standard-setting to ensure realistic requirements and inclusive adoption.



FOR INDUSTRY ASSOCIATIONS

- Translate and disseminate guidance on ESPR & DPP**, based on materials from policymakers and development agencies; create practical, tier-specific, and language-accessible resources if none exist.
- Support **cost-benefit evaluation of in-house vs. outsourced DPP solutions**; share real-world examples showing business value (e.g., consumer trust, operational efficiency).
- Develop training programs on digital skills and data sharing standards, especially for micro and small enterprises (Tier 3–4), aligned with NGO/development agency readiness efforts.
- Provide technical support for DPP implementation:
 - In-house: Training on APIs, data infrastructure, authentication.
 - External: Recommend or promote reliable DPP hosting solutions.



FOR DEVELOPMENT AGENCIES

- Build capacity of policy makers, industry associations and enterprises to be able to understand, be prepared and comply with ESPR and DPP.
- Provide support packages or **“readiness kits”** targeted at specific Global South suppliers, co-designed with local associations.
- Implement and promote cross-regional learning on legal, technical, and informational requirements for efficient DPP adoption, using a train-the-trainer approach to ensure scalable and context-specific knowledge transfer.
- Encourage global dialogues on the data categories and standardization of DPP and its implications giving a voice to the Global South.

6 Next Steps

The full report, providing an in-depth analysis of the various readiness dimensions by country, will be published in Q3 2025. It will be accompanied by global dialogues to deepen engagement, validate findings, and co-create implementation pathways. The report will cover results and conclusions for key countries in the Global South, including India, Bangladesh, Egypt, Turkey,

China and Latin America (Argentina and Brazil). It will present a comparative overview of readiness across the five dimensions, highlight country- and company size-specific challenges, and reflect the expectations and wishes expressed by survey participants from the Global South regarding the DPP.



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