AI and the Global South:
Impacts, Opportunities, and Policy Approaches

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AI AND THE GLOBAL SOUTH: IMPACTS, OPPORTUNITIES, AND POLICY APPROACHES[*]

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ABSTRACT

Artificial intelligence (AI) is set to transform economies and societies worldwide, with significant implications for people and the planet. For developing nations, AI will bring both transformative benefits and risks, requiring a proactive approach to its regulation that builds safeguards while promoting innovation. This paper therefore provides an assessment of the potential multidimensional impacts of AI on the people and countries of the global South, particularly on their digital transformation, labour and industrial development.

The paper further emphasises the need for developing nations to consider flexible policy frameworks for AI governance, tailored to their own unique needs, priorities, and capacities. Emphasising the importance of multistakeholder engagement, such as through opportunities provided by the India-AI Impact Summit, the paper underscores the need for effective international cooperation to build safe, trustworthy AI that promotes sustainable development.

L'intelligence artificielle (IA) est appelée à transformer les économies et les sociétés du monde entier, avec des implications importantes pour les populations et la planète. Pour les pays en développement, l'IA apportera à la fois des avantages et des risques transformateurs, ce qui nécessitera une approche proactive de sa réglementation, qui mette en place des garanties tout en favorisant l'innovation. Dans ce contexte, le présent document propose une analyse des impacts multidimensionnels potentiels de l'IA sur les populations et les pays du Sud, en accordant une attention particulière à ses effets sur la transformation numérique, l'emploi et le développement industriel.

Il souligne en outre l'importance pour les pays en développement d'adopter des cadres politiques flexibles pour la gouvernance de l'IA, adaptés à leurs besoins, priorités et capacités propres. Insistant sur l'importance de l'engagement multipartite, notamment à travers les opportunités offertes par le Sommet sur l'impact de l'IA en Inde, le document souligne la nécessité d'une coopération internationale efficace pour mettre en place une IA sûre et fiable qui favorise le développement durable.

La inteligencia artificial (IA) se perfila como un factor determinante en la transformación de las economías y sociedades a nivel mundial, con implicaciones significativas para las personas y el planeta. Para los países en desarrollo, la IA traerá tanto beneficios transformadores como riesgos, lo que requerirá un enfoque regulatorio proactivo que establezca salvaguardias y promueva al mismo tiempo la innovación. En este contexto, el presente documento ofrece un análisis de los posibles impactos multidimensionales de la IA en las personas y los países del Sur Global, con especial atención a sus efectos sobre la transformación digital, el empleo y el desarrollo industrial.

Asimismo, el documento subraya la importancia de que los países en desarrollo consideren marcos políticos flexibles para la gobernanza de la IA, adaptados a sus propias necesidades, prioridades y capacidades. Destacando la importancia de la participación de múltiples partes interesadas, como por ejemplo a través de las oportunidades que ofrece la Cumbre sobre el Impacto de la IA en la India, el documento enfatiza la necesidad de una cooperación internacional eficaz para crear una IA segura y fiable que promueva el desarrollo sostenible.

人工智能（AI）正准备改变全球经济和社会格局，对人类和地球产生重大影响。对发展中国家而言，人工智能既带来变革性机遇也伴随风险，需要采取积极主动的监管方式，在促进创新的同时建立保障机制。**本文因此**评估了人工智能对全球南方国家及其民**众可能**产生的多维影响，尤其关注其数字化转型、劳动力和工业发展领域。

报告进一步强调，发展中国家需构建灵活的人工智能治理政策框架，量身定制符合其独特需求、优先事项和发展能力的解决方案。报告着重指出多利益相关方参与的重要性——**例如通**过印度人工智能影响峰会等平台——**并**强调需要开展有效的国际合作，以构建安全可靠、促进可持续发展的智能技术体系。

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EXECUTIVE SUMMARY

AI is being projected as a transformational technology, with multidimensional impacts across countries, economies and societies. Global investment in AI is growing rapidly and has already surpassed $1.5 trillion, yet remains concentrated in a handful of large economies. This could lead to a situation where the majority of developing nations are unable to benefit from AI while being disproportionately impacted by its adverse effects.

Most global South countries currently lack the AI infrastructure, digital skills, capabilities and governance frameworks needed to benefit from AI-related productivity gains and economic growth. Without proactive policy measures, they risk being locked into a dependent role in the global AI economy as a source of data and cheap labour while the financial returns from AI adoption flow elsewhere.

This paper thus offers a **practical, policy-oriented framework** for regulating AI, addressing its impacts, and directing it towards sustainable development. It provides actionable guidance for policymakers and global South stakeholders to ensure that AI meets their needs and brings positive outcomes while minimising possible risks to people and prosperity. The paper's key message emphasise the following:

People must be at the centre of AI policy: Developing countries have two valuable AI assets - large youth populations and vast data resources. Leveraging these requires investing in digital literacy, AI skills, capabilities and governance frameworks that enable local populations to equitably share in the value generated from AI and digital transformation. As over a billion young people will enter the workforce in developing countries in the next decade, equipping them to participate in an AI-enabled digital economy is an urgent priority.

Realising AI benefits requires effective policies: AI will not bring any benefits by itself, but must be guided appropriately. Increasing AI adoption risks job losses and disrupting labour markets without necessarily delivering productivity gains. Promoting industrial applications of AI requires targeted incentives, use cases and careful assessment of AI's environmental and social impacts. Enabling effective AI governance requires multistakeholder collaboration at all levels to bridge gaps and harness opportunities.

AI regulation should be adaptable and flexible: Customising AI governance to national needs, capabilities and sustainable development priorities requires a 'smart mix' of regulatory tools - broad horizontal frameworks for addressing cross-cutting AI risks; targeted sectoral rules for high-impact industries; and fostering innovative mechanisms and institutions for gathering feedback and assessing what works best. This allows each country to tailor its policy frameworks to maximise benefits and address impacts, while preserving space for AI innovation.

Global South should lead in multilateral AI governance initiatives: Developing nations are showing strengthened agency in regional and global AI governance. Further increasing their engagement at the multilateral level, including in processes for implementing the UN Global Digital Compact and important global events like the India-AI Impact Summit, is critical for ensuring that AI governance reflects the needs, values, and priorities of developing countries for advancing AI that works for all.

PART I – INTRODUCTION

The recent mainstreaming of Artificial Intelligence (AI), especially the consumer facing Generative AI (GenAI) models, has created many possibilities, with both beneficial and adverse outcomes. Its proponents have stressed the productivity gains and economic growth that AI can bring, while detractors have pointed out the likelihood of large job losses, negative environmental impacts and risks of another financial bubble, with global investments in AI already reaching over $1.5 trillion[1].

The uncertainty around the trajectory and impacts of AI has created a policy conundrum. Countries do see the potential value in implementing AI solutions for addressing their sustainable development needs, but the current uncertainty creates a bind. If governments act too quickly, they face significant known and unknown risks from AI deployment. However, if they act too slowly, they risk stifling innovation, remain unable to capture value from AI-led productivity gains, and get left behind.

As with any new technology, safeguards are necessary to bring out the maximum benefits from AI, while minimising its potential harms. The international community has been seized of this issue, and addressed it most notably in the Global Digital Compact (GDC), which was adopted in 2024 by the United Nations (UN) Member States as an annex to the Pact for the Future. In this process, the rising voice of the global South has been central to fostering multilateral governance of AI for digital transformation. The GDC thus emphasises the immense potential of AI systems to accelerate progress across all the Sustainable Development Goals (SDGs), and calls for enhancing international AI governance for the benefit of humanity.

Yet, for developing and least developed countries, barriers to their sustainable development, especially digital divides, have persisted. While AI will not eradicate poverty and end hunger on its own, increasing digitalisation can bolster efforts for achieving the 2030 Agenda. As a UN report recently noted, "development depends less on what AI can do and more on mobilizing people's imaginations to reshape economies and societies to make the most of it"[2].

Assessing the impacts of AI across all the dimensions of sustainable development is an exceedingly difficult challenge, not least since there is no singular understanding of what AI actually is. For instance, at the technical level, one conception of AI characterises it as a 'technological stack' with multiple, interconnected layers[3]. Jensen Huang thus recently framed AI as "a five-layer cake, spanning energy, chips and computing infrastructure, cloud data centres, AI models and, ultimately, the application layer"[4].

In contrast, Kate Crawford argues that AI is reflective of a much wider set of political and social structures, which at a fundamental level includes "technical and social practices, institutions and infrastructures, politics and culture"[5]. Rather than addressing the technological aspects

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[1] Mayank Munjal and Vineet Sachdev, "Investment in AI is exploding," *Reuters*, 5 December 2025. Available from https://www.reuters.com/graphics/USA-ECONOMY/AI-INVESTMENT/gkvlqbgxkpb/
[2] United Nations Development Programme (UNDP), *Human Development Report 2025: A Matter of Choice: People and Possibilities in the Age of AI* (New York, 2025), p. 5. Available from https://hdr.undp.org/content/human-development-report-2025
[3] Ed Izaguirre, "Layers of the AI stack — explained simply," *Towards Data Science*, 14 April 2025. Available from https://towardsdatascience.com/layers-ai-stack/
[4] Brian Caulfield, "'Largest infrastructure buildout in human history': Jensen Huang on AI's 'five-layer cake' at Davos," *Nvidia Blog*, 21 January 2026. Available from https://blogs.nvidia.com/blog/davos-wef-blackrock-ceo-larry-fink-jensen-huang/
[5] Kate Crawford, *Atlas of AI* (New Haven, Yale University Press, 2021), p. 8.

of AI, this paper relies on Crawford's conception for its analysis, as ultimately, AI exists on, interacts with, and has impacts on people and the planet.

While focused on the needs and sustainable development priorities of developing countries in the context of AI, this paper is not intended to be a comprehensive assessment of all the AI impacts on the peoples and countries of the global South. Instead, by analysing some of the most salient areas of AI impacts and its possible trajectories, it aims to provide a base that assists stakeholders to identify key priorities for guiding the development and deployment of AI, and aligning it with the current needs and capacities of developing nations.

The paper therefore considers some of the significant AI impacts that are particularly relevant for the countries of global South. After the introduction, Part II describes how people are being positioned in relation to AI, both as users and the sources of raw data. It analyses how the issues of digital literacy, data governance and digital capabilities will play an important role in determining how effectively the populations of the global South can build AI readiness. Part III analyses some of the key impacts and opportunities for countries in three selected areas: labour, industrialisation, and international cooperation. Part IV delves into the policy implications of AI for developing countries, and showcases how adopting flexible regulatory frameworks can support national sustainable development priorities. The final section offers some concluding remarks and key takeaways for stakeholders to reflect on how developing countries can adapt their sustainable development pathways in the era of AI.

PART II – PEOPLE IN THE AI VALUE CHAIN

The public launch of GenAI systems like DALL-E in 2021 and ChatGPT in 2022 led to many analyses of this new technology and how it is likely to augment and/or disrupt the current order. There have been just as many predictions about its multidimensional impacts on jobs, livelihoods, economies, societies, national security and sustainable development, among others, the vast majority of which are yet to be borne out.

To assess the impacts of AI at a society and population level, some researchers have put forward concepts such as that of an AI value chain and an AI ecosystem. These suggest a distinct new form of value accretion due to AI, with its associated resources, actors, ethics and impacts. For instance, Billiones et al. use 'AI value chain' to refer to "the interconnected sequence of processes and activities, from data sourcing and foundational model development to AI product and service deployment, with value generation occurring throughout the progression"[6]. Such a framing moves beyond the technological lens and allows the inclusion of other stakeholders engaged in the development and deployment of AI, not least the hardware and data providers, AI developers, platform providers, end-users, and regulators[7]. A joint report by UN and ILO echoes this framing, highlighting "different stages of the AI value chain, each with specific human and social infrastructure needs… [which] differ in the amount of value received for the contribution made, with lower-value added activities predominant in middle and low-income countries and design and deployment associated with higher-income countries"[8].

AI also has its own geo-economic dimensions as several countries are currently building their own 'sovereign AI', which would enable the use of their own data and increase value capture from AI. Such efforts would require setting up and localising the entire AI value chain within national jurisdictions. To achieve this, it has been suggested that by 2030, countries will allocate around $1.3 trillion for financing the development of domestic data centres, locally trained AI models, independent supply chains, and national talent pipelines[9].

The current economic reality is that the majority of developing countries are operating in very resource-constrained environments. If they remain unable to bridge the digital divide, they risk being relegated to the role of passive recipients of AI, unable to capture the value and economic benefits it can potentially create. But the challenge they face in bridging this gap is immense. For instance, a preliminary requirement to benefit from AI is to have meaningful access to the internet. The International Telecommunications Union (ITU) has highlighted how "high-income countries are nearing universal Internet use with 94 percent of the population using the Internet. In contrast, only 23 percent of the population of low-income countries are using the Internet"[10]. It has further estimated that closing this digital divide by 2030 requires an investment of US$ 2.6 to 2.8 trillion, covering the cost of digital infrastructure, affordable

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[6] R. K. C. Billones and others, "AI ecosystem and value chain: a multi-layered framework for analyzing supply, value creation, and delivery mechanisms," *Technologies*, vol. 13, No. 9 (2025), p. 421. Available from https://doi.org/10.3390/technologies13090421

[7] Ibid.

[8] Office of the UN Secretary-General's Envoy on Technology and International Labour Organization, *Mind the AI Divide: Shaping a Global Perspective on the Future of Work* (Geneva, 2024).

[9] Cathy Li, "Everyone wants AI sovereignty. No one can truly have it," *MIT Technology Review*, 21 January 2026. Available from https://www.technologyreview.com/2026/01/21/1131513/everyone-wants-ai-sovereignty-no-one-can-truly-have-it/

[10] ITU, *Facts and Figures 2025: Internet Use* (Geneva, 2025). Available from https://www.itu.int/itu-d/reports/statistics/2025/10/15/ff25-internet-use/

devices and broadband, building digital literacy and skills, and setting appropriate policy and regulatory frameworks[11].

Already facing a significant financing gap for the SDGs, finding additional funding for building sovereign AI is a formidable challenge for many global South nations. However, with some notable exceptions, the parts of the AI ecosystem that they do currently possess in abundance is raw data and relatively large youth populations, comprising a rising share of current and future AI users.

Users are ultimately responsible for the real-world application of AI and the value they generate from their use underpins the value of AI. They are also at the forefront of its impacts, both beneficial and adverse. The following sections therefore consider how users are situated in relation to the AI, and what could be done for increasing their inherent worth in the AI value chain.

1. Digital Literacy

Basic digital literacy is the ability of users to effectively find, analyse, and convey information using digital technologies and devices in a manner that exhibits necessary technical skills. Digital literacy is a necessary precondition to AI literacy, which would require users to understand how AI can be used and how to safeguard against its potential risks.

The pace, scale and value addition of AI adoption will thus be determined by the capacity of users with both the digital literacy and specific knowledge to utilise AI in productive ways. Ensuring universal digital literacy is the first step towards building society-wide AI readiness that will enable the seamless integration of new AI technologies and applications across the economy and industrial sectors.

Achieving this goal requires considerable efforts to include digital and AI literacy as part of school curricula and training courses. This would include teaching users how to critically analyse the outputs being generated by AI models to identify hallucinations and incorrect or biased outputs. Ultimately, it should aim to equip individuals with the necessary digital and AI skills for gaining employment and participating equitably in the digital economy.

Particular emphasis must be given to enabling students and youth populations to develop the necessary skills and resources to use AI, as current trends suggest that the jobs most at risk from AI are those at the entry level. However, developing nations require extensive efforts to equip their youth with the necessary skills to take advantage of the jobs that AI might create. Few educational institutions in emerging economies currently offer specialised AI education and training programs, thereby creating a skills gap that hinders the growth of an AI-ready workforce[12]. For instance, surveys conducted in five African countries on AI education identified limited curriculum relevance to the perceived job readiness of students. It also highlighted other major obstacles, including financial constraints, weak infrastructure, and limited awareness, which were further compounded by fragmented communication between institutions and training providers[13].

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[11] ITU, "ITU report details USD 2.6-2.8 trillion cost to connect everyone meaningfully by 2030," Press Release, 1 September 2025. Available from https://www.itu.int/en/mediacentre/Pages/PR-2025-09-01-Connecting-Humanity.aspx

[12] World Bank, *Digital Progress and Trends Report 2025: Strengthening AI Foundations* (Washington, D.C., 2025), p. 20. Available from https://www.worldbank.org/en/publication/dptr2025-ai-foundations

[13] Jeffrey N. A. Aryee and others, "Building capacity for artificial intelligence in Africa: a cross-country survey of challenges and governance pathways," 5 December 2025. Available from https://doi.org/10.48550/arXiv.2512.05432

This presents a rather dismal scenario for young people, especially in developing countries, as they compete both with AI and humans to get decent jobs. The scale of the human competition alone is immense, with the World Bank estimating that in the next decade, 1.2 billion people will reach working age in developing countries, with millions at risk of being left without a clear path to employment[14]. The large youth populations therefore need to be prioritised for developing digital and AI skills, which will enable them to find jobs. At the same time, efforts to build society-wide AI readiness can also help the youth and working age populations adapt to changing workplace requirements and the jobs of the future.

Being digitally literate, skilled and having access to digital resources may no longer be sufficient to get a decent job. The ILO has highlighted that "although digital and AI-related skills are increasingly essential for economic growth and workforce adaptability, in some parts of the world, demand for these skills lags behind demand for other skill sets. Even where demand is increasing, possessing these skills does not guarantee employment…"[15]. Addressing this gap thus requires overhauling current teaching methodologies, and updating them to instead train students for digital skills, adaptability and continuous learning, which would give them greater employability across AI-enabled sectors.

To meet the skill development needs of all people, especially those from marginalised communities, such learning should further be adapted to their specific contexts. This is critical to fully harnessing the benefits of digital connectivity, which requires a recognition of the "importance of digital skills and lifelong access to digital learning opportunities, taking into account the specific social, cultural and linguistic needs of each society and persons of all ages and backgrounds"[16].

This should also be based on building user trust in the AI model itself. As UN Resolution 78/265 has stressed, enabling access to safe, secure and trustworthy AI systems for developing countries is key to enjoying the benefits of AI for sustainable development. This requires investing in effective safeguards throughout the AI life cycle to uphold the full and effective enjoyment of human rights[17]. This should be complemented with efforts to address the responsibility of AI companies and regulatory authorities to ensure that the harmful impacts from the use of AI can be mitigated and minimised.

2. Data Governance

At its simplest, data is information. Personal data is generated as a by-product of any human activity, whether it be shopping online, going to the doctor or simply taking a walk; while non-personal data, i.e. data that does not contain any personally identifiable information can be public, community and private[18].

For AI models, the data contained in the underlying datasets needs to meet certain criteria that renders it useful for training purposes. This is important as the quality, quantity and diversity of the data is what eventually determines the accuracy, safety and trustworthiness of the AI model and its outputs. AI systems rely heavily on access to high-quality datasets, thus making data governance critical to their development and deployment. Effective data

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[14] World Bank, "Jobs and growth," last updated 10 October 2025. Available from https://www.worldbank.org/en/topic/jobsandgrowth/overview

[15] International Labour Organization, "Bridging the digital divide," 31 October 2025. Available from https://doi.org/10.54394/GYTG1195

[16] GDC, para. 12

[17] Viviana Munoz Tellez, "UNGA adopts first resolution on Artificial Intelligence," SouthViews No. 269, 16 July 2024. Available from https://www.southcentre.int/southviews-no-269-16-july-2024/

[18] Aashish Aryan, "Explained: what is non-personal data?," *Indian Express*, 27 July 2020. Available from https://indianexpress.com/article/explained/non-personal-data-explained-6506613/

governance however requires a collective effort with the meaningful participation of all stakeholders to establish frameworks that govern how data is collected, stored and used.

Current practices for obtaining high-quality AI training datasets however leave a lot to be desired. Raw data is extracted from the data commons (which includes data from developing countries and communities) by large firms for training AI models, usually without the consent or even knowledge of the data creators[19]. The benefits from the use and monetisation of this data are not shared with those who generated it. The GDC recognises this gap, noting that "the increasing collection, sharing and processing of data, including in AI systems, may amplify risks in the absence of effective personal data protection and privacy norms"[20].

With millions of people from developing and least developed countries expected to come online in the coming years, they will generate huge volumes of data. The global South will be the site for increased data extraction in the near future. AI models will need to be trained on this data to make them relevant and useful for application in Southern countries.

This requires greater attention from developing countries to maintain their 'data sovereignty'[21], which is recognised as an essential element to "advance development objectives, protect human rights, foster innovation and promote economic growth"[22]. With countries seeking to ensure that they receive fair benefits from the extraction and use of their data, this issue will witness increased contestation among different actors at all levels. Addressing this will require developing new arrangements for effective data governance which can delineate who captures the value generated from the use of data and how.

At the same time, the issue of 'data bias' creates risks in current AI models. The origin, diversity and biases embedded in the AI training data can impact individuals and communities, particularly in the global South, by perpetuating existing inequalities or producing unfair and discriminatory outcomes[23]. Research into the biases embedded in AI training data has found that it is heavily skewed towards advanced economies, particularly Anglophone countries[24]. For instance, one analysis found that of the datasets used for training AI, over 90 percent came from Europe and North America, while fewer than 4 percent came from Africa[25].

This disparity is being compounded by the lack of access to high-quality datasets for training AI to deploy them effectively in developing countries. The lack of diversity in current AI training datasets can produce sub-optimal outcomes from their deployment in developing countries. A UN report highlights the problem of missing data from developing countries and notes that the "failure to reflect the world's linguistic and cultural diversity has been linked to bias in AI systems, but may also be a missed opportunity for those communities to access AI's

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[19] Kate Crawford, *Atlas of AI* (New Haven, Yale University Press, 2021), chap. 3.

[20] GDC, para. 37

[21] Marcus Vinícius de Freitas, "Digital sovereignty and data colonialism: shaping a just digital order for the global South," Policy Centre for the New South, October 2025. Available from https://www.policycenter.ma/sites/default/files/2025-10/PP_38-25%20%28Marcus%20Vini%CC%81cius%20De%20Freitas%29.pdf

[22] GDC, para. 37

[23] E. Ferrara, "Fairness and bias in artificial intelligence: a brief survey of sources, impacts, and mitigation strategies," *Sci*, vol. 6, No. 1 (2024), p. 3. Available from https://doi.org/10.3390/sci6010003

[24] Laura Vargas-Parada, "Large language models are biased — local initiatives are fighting for change," *Nature*, 27 November 2025. Available from https://doi.org/10.1038/d41586-025-03891-y

[25] Melissa Heikkilä and Stephanie Arnett, "This is where the data to build AI comes from," *MIT Technology Review*, 18 December 2024. Available from https://www.technologyreview.com/2024/12/18/1108796/this-is-where-the-data-to-build-ai-comes-from/

benefits"[26]. This had made securing access to new diverse and high-quality datasets for training AI a high priority for the AI industry[27].

3. Digital Capability

The notion of digital capabilities goes beyond literacy to encompass access to digital skills, resources and infrastructure that is necessary to live in digitally-enabled societies, participate meaningfully in the digital economy, and build AI readiness. Expanding digital capabilities requires building digital literacy, enabling universal access to resources including electricity, internet, digital devices, and technological resources[28]. This is key as availability of technological infrastructure is one of the strongest predictors of AI readiness among stakeholders.

Digital capabilities are also at the core of digital transformation of organisations and the workforce, especially for micro, small and medium enterprises (MSMEs). This requires competency in the use of digital tools, and effectively integrating them with typical workflows. Over time, increasing digital capabilities can strengthen firms' market competitiveness, ability to innovate, and build resilience for adapting to rapid digitalisation and AI adoption.

Countries also need to have the institutional capacity to sustain and scale AI initiatives. They should be able to develop platforms that effectively leverage multistakeholder collaboration to create public benefit and enhance digital capabilities. The role of public and private institutions such as universities, research organisations, and think-tanks is important in this context as they can identify gaps and requirements for AI readiness, support the development of frontier AI models, and orient AI to the public good. For instance, institutions enabling public engagement in AI research, providing feedback to improve the AI based on real-world application[29], as well as supporting policy guardrails around AI safety and trust based on user experience are all important for strengthening national capabilities.

When it comes to digital capabilities, many developing countries find themselves in limited or low resource environments. UN Resolution 78/311 thus recognises that the lack of digital infrastructure connectivity and skills, including education, expertise and human capacity, remains a fundamental challenge in many global South countries, contributing to AI and other digital divides. UN Trade and Development (UNCTAD) also notes that infrastructure "availability and affordability are critical in the widespread adoption of AI, providing equitable opportunities across diverse groups and communities. Limited digital infrastructure and data, combined with challenges in affordability, risk widening the gap between leading and lagging countries"[30].

Yet, meeting the demand for digital infrastructure is easier said than done. For instance, demand for the semiconductors and memory chips required to set up AI-ready infrastructure has grown exponentially in recent months, creating a global shortage which will impact other

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[26] UN, *Governing AI for Humanity*. Available from
https://www.un.org/sites/un2.un.org/files/governing_ai_for_humanity_final_report_en.pdf
[27] K. O'Toole, C. Turbes and A. Freeman, *Data Policy in the Age of AI: A Guide to Using Data for Artificial Intelligence* (Washington, D.C., Data Foundation, 2024). Available from
https://doi.org/10.15868/socialsector.44213
[28] UNDP, *Human Development Report 2025: A Matter of Choice*, p. 87.
[29] J. N. Matias and M. Price, "How public involvement can improve the science of AI," *Proceedings of the National Academy of Sciences*, vol. 122, No. 48 (2 December 2025). Available from
https://doi.org/10.1073/pnas.2421111122
[30] United Nations Trade and Development (UNCTAD), *Technology and Innovation Report 2025* (Geneva, 2025), p. 94.

sectors, notably consumer devices needed to access the internet[31]. Similarly, constructing data centres continues to be very resource intensive, requiring massive upfront financial outlays of millions of dollars for capital expenditure. For instance, in Vietnam, which has among the lowest costs in the region, constructing a data centre can require from US$5.5 million to US$8.4 million per megawatt[32]. This is in addition to the ancillary investments required in the electrical grid and water systems for supplying the data centres.

As developing countries continue to build and strengthen the different components of the AI value chain, it is necessary to ensure that this effort is guided by public benefit and value creation for the very people whose inputs and interests are vital to its development and utility. The next section therefore provides a look at some select dimensions of AI impacts, and the opportunities and challenges it brings for the people and policymakers in developing countries.

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[31] Bruno Ferreira, "Data centers will consume 70 percent of memory chips made in 2026," *Tom's Hardware*, 18 January 2026. Available from https://www.tomshardware.com/pc-components/ram/data-centers-will-consume-70-percent-of-memory-chips-made-in-2026-supply-shortfall-will-cause-the-chip-shortage-to-spread-to-other-segments

[32] Phi Nhat, "Vietnam's data center construction costs among the lowest in Asia Pacific," *Hanoi Times*, 7 February 2025. Available from https://hanoitimes.vn/vietnams-data-center-construction-costs-rank-among-asia-pacifics-lowest.642207.html

PART III – IMPACTS AND OPPORTUNITIES FOR THE GLOBAL SOUTH

Whether or not AI fulfils its claimed potential to be a truly transformational technology depends on a multiplicity of factors, including the extent to which it contributes to global economic growth and sustainable development. Despite increasing digitalisation of societies, the benefits are not a given, with the UN underscoring how "historically the impact of technological innovation on improving productivity and increasing living standards has depended on complementary changes in the organization of economic activity, not simply replacing older technologies with newer ones"[33].

Considering that we are still in the early days of AI, estimating its impact on economy-level productivity growth remains challenging. This has been true for most technological shifts as even during the 1970s and 80s, it was not possible to discern the impact of increasing use of computers on productivity. However, its wider deployment in more sectors in the 1990s due to falling cost of IT equipment did result in markedly increased productivity gains[34].

Estimates for the value addition to the global economy due to AI vary greatly[35], with GDP growth expected to come from efficiency improvements in sectors that do adopt AI, as well as the productivity gains from the use of Gen AI tools. However, there is a distinct possibility that AI could just as well turn out to be a yet another 'normal technology', as improvements in AI models do not automatically translate to beneficial economic impacts[36]. At one level, the risk is that of deploying what Daron Acemoğlu has referred to as "so-so automation" which allows companies to cut jobs without delivering any real productivity boost[37]. Using AI to do the tasks that people already do very well, will just cumulate job losses and other AI downsides, including exploitative labour practices in data labelling and environmentally stressful energy and material requirements[38].

Part of the challenge of assessing growth predictions stems from the fact that many of those making such claims also have deep vested interests in promoting AI as an unprecedented, transformational technology that will change society as we know it. For instance, Sam Altman (CEO of OpenAI which owns ChatGPT) has claimed that AI could, among other things, "solve climate change, cure cancer, create a benevolent superintelligence beyond human comprehension, provide a tutor for every student, [and] take over nearly half of the tasks in the economy"[39]. It also just happens that his company, OpenAI "expects to burn through $17 billion of cash in 2026, up from $9 billion in 2025, and that its losses will continue piling up in each of the subsequent three years"[40].

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[33] UNDP, *Human Development Report 2025*, p. 17.

[34] ILO Inter-American Centre for Knowledge Development in Vocational Training, "Digital productivity paradox." Available from https://www.oitcinterfor.org/en/digitalizaci%C3%B3n/digital-productivity-paradox

[35] Dylan Walsh, "A new look at the economics of AI," MIT Sloan School of Management, 21 January 2025. Available from https://mitsloan.mit.edu/ideas-made-to-matter/a-new-look-economics-ai

[36] Arvind Narayanan and Sayash Kapoor, "AI as normal technology," *Knight First Amendment Institute*, 14 April 2025. Available from https://knightcolumbia.org/content/ai-as-normal-technology

[37] Jo Constantz, "The real AI risk is 'meh' technology that takes jobs and annoys us all," *Bloomberg*, 10 October 2025. Available from https://www.bloomberg.com/news/articles/2025-10-10/will-ai-usher-in-an-economic-boom-or-just-a-lot-of-mediocre-automation

[38] UNDP, *Human Development Report 2025*, p. 19.

[39] Nick Robins-Early, "Sam Altman's make-or-break year: can the OpenAI CEO cash in his bet on the future?," *The Guardian*, 25 January 2026. Available from https://www.theguardian.com/technology/ng-interactive/2026/jan/25/sam-altman-openai

[40] "OpenAI faces a make-or-break year in 2026," *The Economist*, 29 December 2025. Available from https://www.economist.com/business/2025/12/29/openai-faces-a-make-or-break-year-in-2026

Uncertainty around AI's long-term impacts on economic growth and productivity has been well-acknowledged[41], alongside its potential risks of knowledge erosion, labour displacement, and increasing wage inequality. As per the IMF, almost 40 percent of global employment is exposed to AI, with lower exposure in emerging markets and low-income countries, suggesting that they will face fewer immediate disruptions from AI[42]. Recent survey data also suggests that the uptake of AI is much higher among digital firms rather than traditional companies which are often engaged in sectors outside the digital economy (see Figure 1).

Figure 1 – AI Adoption in Firms by Digital Classification
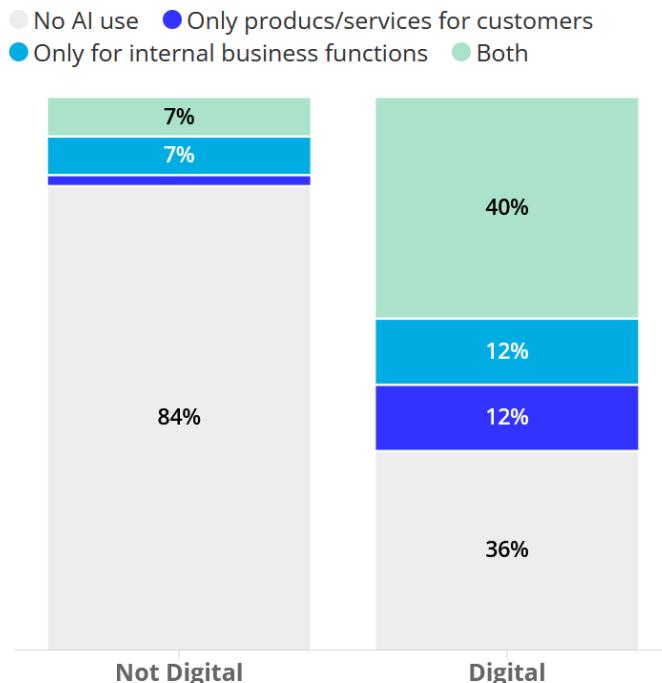
Source: World Bank Group[43]

For many global South countries that have large youth populations and are at the forefront of climate impacts, the greatest benefits of AI would be realised if it enables them to create decent jobs, build green industries and leverage international cooperation to accelerate their sustainable development. The following sections therefore look at the impacts of AI on the labour, industrial development and international cooperation of developing countries, and seeks to provide some insights into important policy prerogatives in these areas.

1. Labour

Job creation

AI has generated some new occupations and jobs, although these jobs tend to be highly polarized, with high-income roles being limited in scope and number. At one end are the

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[41] Shahid Yusuf, "The macroeconomic consequences of AI" (New York, UNDP, 2025). Available from https://www.undp.org/sites/g/files/zskgke326/files/2025-12/the-macroeconomic-consequences-of-ai.pdf

[42] Mauro Cazzaniga and others, "Gen-AI: artificial intelligence and the future of work," Staff Discussion Notes, No. 2024/001 (Washington, D.C., International Monetary Fund, 2024). Available from https://doi.org/10.5089/9798400262548.006

[43] Eveline Smeets, Liliana Olarte and Lana Graf, "How AI travels: a snapshot of AI diffusion among firms in emerging markets," *World Bank Blogs*, 15 January 2026. Available from https://blogs.worldbank.org/en/psd/how-ai-travels--diffusion-among-firms-in-emerging-markets

handful of jobs such as AI engineers and scientists who are engaged in developing frontier AI models and being offered $100 million as recruitment bonuses. At the other end are the many thousands of low-income jobs, such as data labelling and annotation, which are key to creating high-quality datasets for training AI. These divergent pathways are further contributing to labour market polarization and rising inequality[44].

Mostly based in global South countries, data labellers and annotators are responsible for reviewing data, including potentially graphic photos and videos, and labelling it with relevant tags to make it useful for training AI systems[45]. Researchers have highlighted how AI companies have sought to reduce their costs for obtaining high-quality training data by employing large numbers of data labellers as freelancers or gig workers. While AI did create these jobs, it also increased precarity and labour rights violations as these workers routinely received low wages and lack job security, while working in dangerous and exploitative conditions[46].

There is also some potential for short term job creation from the construction of data centres, as thousands of labourers and electricians would be involved in this endeavour. However, data centres would only be able to provide a small number of long-term jobs[47], which combined with their large resource consumption, brings their long-term value addition to the local community into question.

There are also questions about whether AI will create new jobs if its adoption does not translate into increased worker productivity. Studies have found wide variance on this aspect, noting that depending on the specific contexts, the use of AI can increase worker productivity anywhere between 15[48] to 40 percent[49]. At the same time, the World Bank warns that "AI is likely to shift bargaining power away from workers to firms, potentially exerting downward pressure on wages and labour income share… [and] could suppress wages for a wider range of workers, excluding those at the very top. AI could further constrain the potential for creating quality jobs in high-skilled services, particularly in developing countries"[50].

Countries, industries and jobs have varying level of exposure to AI and the attendant risks (see Figure 2). Currently, jobs in low- and middle-income countries have much lower exposure to AI compared to advanced economies. But this may change as AI models gain more abilities. For developing nations, the significant risk is that the 'hard-to-automate' jobs in the future might only be the relatively low-paying jobs. This creates an enormous challenge for policymakers who must cater to large and highly-educated youth populations that will be unable to secure stable and decent jobs.

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[44] World Bank, *Digital Progress and Trends Report 2025*, p. 8.

[45] Madhumita Murgia, "AI's new workforce: the data-labelling industry spreads globally," *Financial Times*, 24 July 2019. Available from https://www.ft.com/content/56dde36c-aa40-11e9-984c-fac8325aaa04

[46] Ganna Pogrebna, "AI is a multi-billion dollar industry. It's underpinned by an invisible and exploited workforce," *The Conversation*, 8 October 2024. Available from https://theconversation.com/ai-is-a-multi-billion-dollar-industry-its-underpinned-by-an-invisible-and-exploited-workforce-240568

[47] Christopher Tozzi, "How many jobs do data centers create? It depends," *Data Center Knowledge*, 28 August 2025. Available from https://www.datacenterknowledge.com/operations-and-management/how-many-jobs-do-data-centers-create-it-depends

[48] Erik Brynjolfsson, Danielle Li and Lindsey Raymond, "Generative AI at work," *The Quarterly Journal of Economics*, vol. 140, No. 2 (May 2025), pp. 889–942. Available from https://doi.org/10.1093/qje/qjae044

[49] Fabrizio Dell'Acqua and others, "Navigating the jagged technological frontier: field experimental evidence of the effects of AI on knowledge worker productivity and quality," Harvard Business School Working Paper, No. 24-013 (Cambridge, Massachusetts, Harvard Business School, September 2023). Available from https://www.hbs.edu/faculty/Pages/item.aspx?num=64700

[50] World Bank, *Digital Progress and Trends Report 2025*, p. 8.

Figure 2

Employment shares by AI exposure and complementarity

- ■ High exposure, high complementarity
- ■ High exposure, low complementarity
- ■ Low exposure
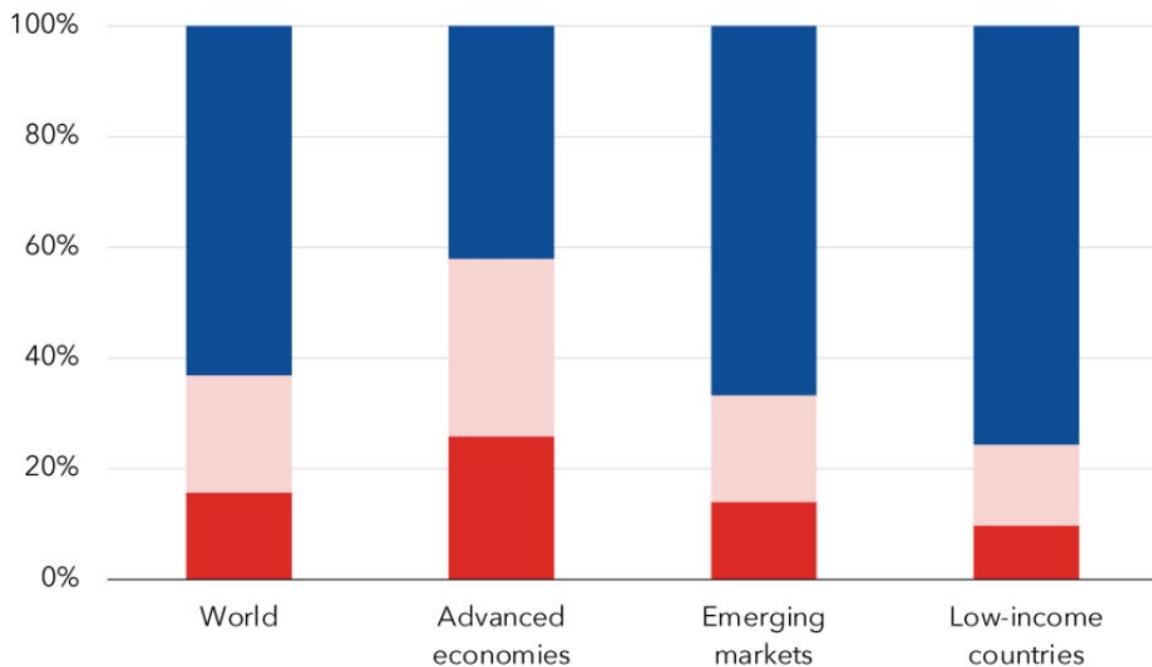
Source: International Labour Organization (ILO) and IMF staff calculations
Note: Share of employment within each country group is calculated as the working-age-population-weighted average.

Skill development

The opportunities from AI as well as the speed of AI adoption rests on how effectively workers can be equipped, through training, upskilling or reskilling, with the necessary skills needed to develop, deploy and scale AI solutions. This would be partly realised by providing opportunities for workers to build skills that would enable them to gain employment in areas and roles directly connected to AI. It might include jobs such as programmers building frontier AI models, AI scientists, experts in AI ethics, among others.

Most countries have already identified this need and taken initiatives for building their AI talent pipelines. For instance, Ghana is collaborating with the UAE to set up an innovation and AI hub in the country, which will build the digital infrastructure, as well as the human talent to use it[51]. Without the investment necessary to build these skills in the workforce, the risk is that "AI may lead to premature de-professionalization, where employment share in high-skilled services peaks earlier, lower, and at lower income levels"[52].

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[51] "Ghana and UAE sign $1bn deal to build Africa's largest innovation and AI hub," *African Business*, 19 December 2025. Available from https://african.business/2025/12/innov-africa-deals/ghana-and-uae-sign-1bn-deal-to-build-africas-largest-innovation-and-ai-hub

[52] Y. Liu, "Generative AI: catalyst for growth or harbinger of premature de-professionalization?," Policy Research Working Paper, No. 10915 (Washington, D.C., World Bank, 2024). Available from http://documents.worldbank.org/curated/en/099520009172451039/.

In the longer term, an optimistic outcome is that wider AI adoption will create its own new jobs and industries, which will hire people with the relevant skills. This is already occurring at a very nascent level, with UNCTAD noting that "demand is increasing for skilled workers who can adopt and develop AI, including technical expertise in data science and AI skills for particular business operations. Countries need (…) to have highly trained individuals who can develop AI systems and adapt them to particular needs"[53]. This is particularly important in case of developing countries using digital solutions from other countries, as these need to be localised to their specific national contexts and requirements.

Another priority area would be to foster adaptability and resilience in workers so that AI is used to augment, rather than replace them. For instance, by automating more routine tasks, workers can focus on the non-routine tasks of a job which require human expertise and judgment. This is particularly the case where decisions with real world impacts have to be made, since an AI can never be held accountable for its actions.

2. Industrialisation

<u>Digital infrastructure</u>

Building the necessary infrastructure for population-scale AI adoption is a significant challenge for most countries. AI infrastructure includes both basic infrastructure such as electricity, water and high-speed internet access; as well as dedicated AI compute infrastructure which includes semiconductor chips and data centres. The latter has attracted the largest share of investment in the AI sector, having reached $61 billion in 2025, with AI-driven capital expenditure on data centres and related equipment set to reach $1 trillion annually[54] and cumulatively estimated at $6.7 trillion[55] by 2030 (see Figure 3).

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[53] UNCTAD, *Technology and Innovation Report 2025*, p. 133.
[54] Sean Mitchell, "AI-fuelled data centre spend to hit USD $1 trillion by 2030," *Data Centre News India*, 13 November 2025. Available from https://datacentrenews.in/story/ai-fuelled-data-centre-spend-to-hit-usd-1-trillion-by-2030
[55] McKinsey, "The data center dividend," 7 October 2025. Available from https://www.mckinsey.com/featured-insights/week-in-charts/the-data-center-dividend

Figure 3

Global distribution of capital investments across data center value chain, by segment, 2025–30, $ trillion
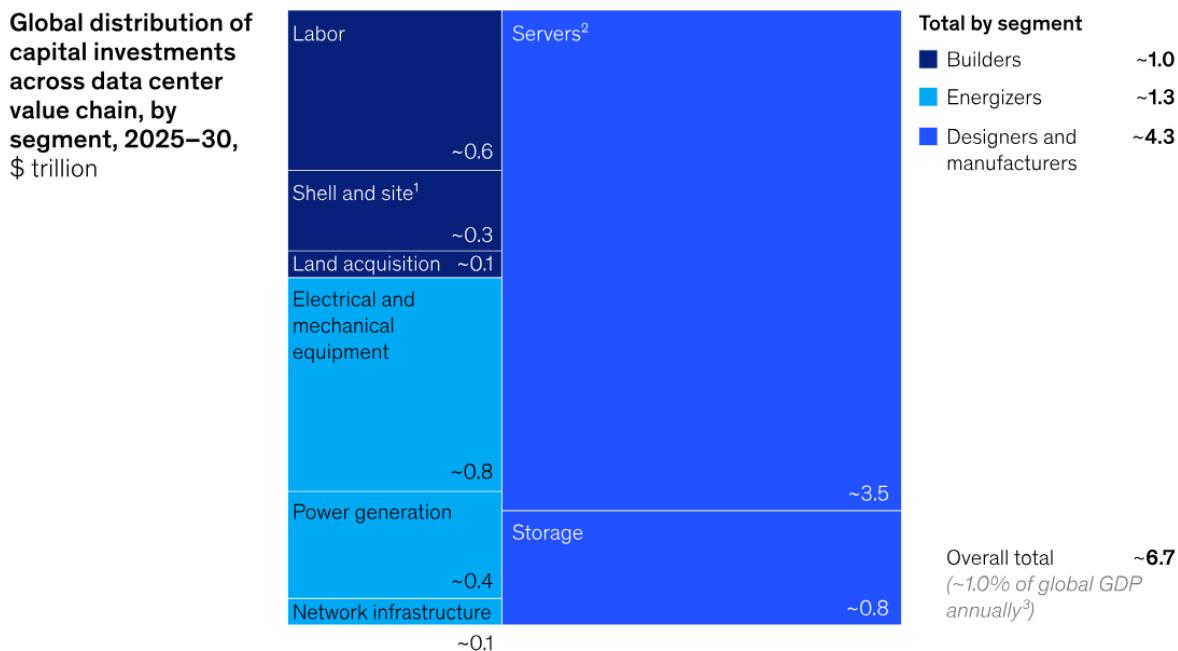
[1] Includes mechanical, electrical, and plumbing.
[2] Including graphics processing units and central processing units.
[3] Global GDP in 2023: $106 trillion.
Source: Goldman Sachs; S&P Capital IQ; McKinsey analysis

Source: McKinsey

Despite the scale of this investment, it has been concentrated in a few major economies which already possess the resources needed for advancing frontier AI models. Current iterations of data centres are also very resource-intensive, requiring vast amounts of electricity and water to function[56]. The rapid increase in data centres is also going to adversely impact global climate action, as significant greenhouse gas emissions are associated with data centres throughout their life cycle[57].

The majority of developing and least developed countries currently do not have anywhere near the scale of infrastructure needed for installing and operating large data centres. They would further need to build out their electrical grids and water systems to service the data centres. However, these resources are also shared with the local populations, which may have to share the cost burdens associated with such infrastructure development[58]. Such adverse impacts already visible on some vulnerable communities that have been hit by increasing utility bills, electricity blackouts and water shortages[59].

Addressing these impacts requires envisioning data centres as infrastructure embedded within localities and proactively engaging with the communities in which they are being built. This will enable understanding of how data centres can contribute to the specific needs of the local communities. For instance, AI companies could invest in building sustainable data centres

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[56] International Energy Agency (IEA), *Energy and AI* (Paris, International Energy Agency, 2025). Available from https://www.iea.org/reports/energy-and-ai

[57] UNCTAD, "Making digitalization work for inclusive and sustainable development," TD/B/EDE/8/2, 26 February 2025. Available from https://unctad.org/system/files/official-document/tdb_ede8d2_en.pdf

[58] Josh Saul and others, "AI data centers are sending power bills soaring," *Bloomberg*, 30 September 2025. Available from https://www.bloomberg.com/graphics/2025-ai-data-centers-electricity-prices/

[59] Paul Mozur, Adam Satariano and Emiliano Rodríguez Mega, "From Mexico to Ireland, fury mounts over a global A.I. frenzy," *New York Times*, 20 October 2025. Available from https://www.nytimes.com/2025/10/20/technology/ai-data-center-backlash-mexico-ireland.html

which bring new renewable energy projects, minimize the use of potable water, or use the heat generated from their operations for warming houses, thus sharing material benefits locally.

<u>Industrial development</u>

Some AI companies have explicitly positioned themselves as being 'industry-oriented' rather than focusing on general consumers. This has enabled them to focus developing AI solutions for specific industries. For instance, bespoke AI solutions could be integrated into sectors with existing high levels of automation, which could raise productivity by enabling AI innovation, making industrial processes more efficient and reducing waste. This would largely take place through integrating AI with digital sensors, robot, and industrial machinery to assess and take action in the real world. However, making this a reality requires significant capital investment as well as innovation to ensure that the AI meets the identified needs.

However, as a World Bank report has highlighted, AI innovation has remained largely concentrated in high-income countries, while "the frequency and depth of AI usage in developing countries remain limited compared with advanced countries, because effective AI use often depends on sufficient digital skills and localized adaptations—resources that are still scarce in many developing economies"[60]. It further suggests that "the rapid pace and concentration of innovations pose adaptation challenges, but open-source technologies are democratizing AI participation, allowing developing countries to tailor AI to local contexts without reinventing foundational technologies"[61].

One way to address this would be through the use of open-source digital solutions and AI models aligned with Digital Public Infrastructure (DPI) principles that emphasise adaptability, interoperability, trust and transparency[62]. The DPI approach, which is focused on creating foundational, digital building blocks designed for the public benefit[63], can enable developing countries to adapt AI models to their local conditions and use that as a basis for further innovations that capture increasing value from AI.

The possibilities from application of AI to industrial processes for increasing productivity gains has already been considered by policymakers. For instance, China's AI Plus initiative[64] is a major push to integrate AI across six key sectors in the country for driving technological innovation and rapid growth in the scale of core industries. Fostering collaboration among governments and micro, small and medium-sized enterprises (MSMEs) could also help in crafting AI solutions that target specific industrial needs, while being tailored to operate within available resources and capacities. For instance, Brazil's *Brasil Mais Produtivo* program[65] provides an opportunity for MSMEs to increase their productivity, reduce operating costs and boost revenue through digital transformation and the use of innovative national technologies.

By piloting industrial applications of AI systems and assessing their impacts, countries could both scale successful examples as well as use the generated data to train AI models that would be tailored to their needs. At the same time, aligning such AI adoption with national

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[60] World Bank, *Digital Progress and Trends Report 2025*, p. 92.
[61] Ibid.
[62] Srijoni Sen, "Open source principles in DPI," MOSIP, 15 November 2024. Available from https://www.mosip.io/mosip16.9/open-source-principles-in-dpi-ensuring-interoperability-security-and-trust
[63] J. Clark and others, *Digital Public Infrastructure and Development: A World Bank Group Approach*, Digital Transformation White Paper, vol. 1 (Washington, D.C., World Bank, 2025). Available from http://hdl.handle.net/10986/42935.
[64] China State Council, "China issues guideline to accelerate 'AI Plus' integration across key sectors," 27 August 2025. Available from https://english.www.gov.cn/policies/latestreleases/202508/27/content_WS68ae7976c6d0868f4e8f51a0.html
[65] Brazil Ministry of Development, Industry, Trade and Services, "*Programa Brasil Mais Produtivo*." Available from https://www.gov.br/mdic/pt-br/assuntos/sdic/inovacao/brasilmais

climate goals and green industrialisation imperatives would be key for developing countries as they target cross-sectoral and population level impacts to accelerate their sustainable development.

3. International Cooperation

Currently, the frontier of AI development is dominated by a small number of private actors concentrated in the wealthiest states. Catching up to them though the development and deployment of sovereign AI requires a scale of investment that will be difficult to justify or afford for most countries. By leveraging international cooperation on AI, countries can build common cause for addressing their shared AI-related priorities and concerns. Without effective collaboration, the choice for most countries has been characterised as that between dependency and irrelevance, marked by high vulnerability to "geopolitical bullying and vendor lock-in"; with "few options for capturing and redistributing AI's benefits, or for managing the technology's negative environmental and social externalities"[66].

Efforts to enhance international cooperation in AI should build on existing regional and multilateral efforts on advancing the digital agenda, encompassing issues such as digital payments, digital health and AI readiness. UNCTAD has also advocated for international cooperation in digital infrastructure, data and skills which can help in addressing persistent challenges for developing countries related to inadequate digital infrastructure, limited access to quality data and shortages in digital and technical skills[67].

Furthermore, prioritising South-South and Triangular cooperation on AI can also provide a complementary means to increase the sharing of AI resources, experiences and technical know-how which is suitable for developing nations and can be readily adapted to their specific needs and contexts[68]. This could be paired with initiatives to set up platforms for fostering collaboration among developing country stakeholders on safe and trustworthy AI.

Regional

Regional approaches to building shared AI infrastructure offers developing countries the opportunity to pool in resources, such as through setting up a common global South platform for collaborating on AI application.

For instance, on the African continent, the AI for Africa initiative was launched under the South African G20 Presidency, to support the implementation of the African Union's Continental AI Strategy. Established as a voluntary platform for collaboration between the G20 and the African Union, the Initiative seeks to "promote access to computing power, AI talent and training, high quality and representative datasets, and digital infrastructure, as key building blocks for AI development and adoption in Africa"[69]. It also prioritises the adoption of policies

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[66] Jacob Taylor and Joshua Tan, "Public AI Is the New Multilateralism," *Project Syndicate*, 20 October 2025. Available from https://www.project-syndicate.org/commentary/public-ai-can-be-the-basis-of-new-international-cooperation-by-jacob-taylor-3-and-joshua-tan-1-2025-10

[67] UNCTAD, "Global collaboration for inclusive and equitable artificial intelligence," Policy Brief No. 119, 20 June 2025. Available from https://unctad.org/publication/global-collaboration-inclusive-and-equitable-artificial-intelligence

[68] Danish, "Advancing International Cooperation under the Global Digital Compact," SouthViews No. 285, 28 March 2025. Available from https://www.southcentre.int/southviews-no-285-28-march-2025/

[69] G20 South Africa, Task Force on Artificial Intelligence, Data, Governance and Innovation for Sustainable Development, Chair Statement, September 2025.

that position AI as a driver of sustainable development, regional integration, and structural transformation in Africa[70].

Latin American and Caribbean (LAC) countries have also sought to strengthen regional dialogue on AI governance, especially through the promotion of ethical, responsible, and inclusive use of AI. The countries also established a Working Group on the Ethics of Artificial Intelligence in Latin America and the Caribbean as a regional platform to promote the ethical, inclusive, and sustainable development of AI[71]. In September 2025, their collaboration also led to the launch of Latam-GPT, an AI model trained on the region's data that reflects its diverse cultures, history and linguistic nuances[72].

<u>Multilateral</u>

At the multilateral level, the adoption of the GDC and the subsequent operationalisation of its two mechanisms, namely the Independent International Scientific Panel on Artificial Intelligence and the Global Dialogue on Artificial Intelligence Governance, have situated the UN as a key forum for multilateral deliberations on the governance of AI for public good. These efforts have been complemented by the adoption of UN resolutions such as Resolution 78/265 on safe, secure and trustworthy AI systems[73]; and Resolution 78/311 on international cooperation for capacity building in AI[74]. The latter highlights the importance of fostering international cooperation regarding capacity-building in AI and ensuring that its development and deployment are ethical, equitable, and beneficial to all[75]. The Global Dialogue presents an important opportunity to advance multilateral cooperation on AI as it will involve governments and other stakeholders, and operate as a platform to share best practices and lessons learned, and to facilitate open, transparent and inclusive discussions on AI governance[76]. The first edition of this Dialogue will take place in Geneva in July 2026.

The convergence of stakeholders at high-level events such as the India-AI Impact Summit in February 2026 provides opportunities for the international community to address common concerns in AI, especially those being faced by the global South. The Summit reflects the need to have effective international cooperation that enables the voice of the global South to be heard and included in discussions for developing AI systems that respect their values and culture. The India-AI Impact Summit was therefore envisaged as a genuinely multistakeholder event built around measurable outcomes, casebooks and the sharing of successful AI deployment experiences. The issues and proposals under discussion, including on data governance, benefit-sharing, frugal AI, inclusion of underrepresented languages and communities, are all key to ensuring equitable AI development[77].

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[70] See: Vahini Naidu and Danish, "From Fragmentation to Impact: Strengthening Southern Agency in Global AI Governance," South Centre Policy Brief 148, 17 November 2025. Available from https://www.southcentre.int/policy-brief-148-17-november-2025/

[71] Forum on the Ethics of Artificial Intelligence in Latin America and the Caribbean, Official Website. Available from https://foroialac.org/en/

[72] Anna Lagos, "Latam-GPT: meet the open source AI of Latin America," *Wired*, 1 September 2025. Available from https://www.wired.com/story/latam-gpt-the-free-open-source-and-collaborative-ai-of-latin-america/

[73] A/RES/78/265

[74] A/RES/78/311

[75] Carlos M. Correa, "The United Nations Call to Enhance International Cooperation for Capacity-Building on Artificial Intelligence," SouthViews No. 273, 22 August 2024. Available from https://www.southcentre.int/southviews-no-273-22-august-2024/

[76] UN General Assembly, resolution 79/325, *Terms of reference and modalities for the establishment and functioning of the Independent International Scientific Panel on Artificial Intelligence and the Global Dialogue on Artificial Intelligence Governance*, A/RES/79/325, 27 August 2025. Available from https://docs.un.org/A/RES/79/325

[77] See: Danish, "AI for All, Not the Few: Geneva Pre-Event Charts Path to India-AI Impact Summit," South News No. 543, 28 November 2025. Available from https://mailchi.mp/southcentre/southnews-ai-for-all-not-the-few-geneva-pre-event-charts-path-to-india-ai-impact-summit?e=1ef4c2895c$

By involving diverse voices and perspectives, especially from the global South, the India-AI Impact Summit aimed at delivering innovative and legitimate AI systems that work for all. Effective implementation of the outcomes from the Summit is expected to continue prioritising the needs of developing countries, enabling their meaningful participation in global discussions on AI governance, and providing high-level guidance to harness AI for public good.

PART IV – A FLEXIBLE POLICY APPROACH FOR ADDRESSING AI IMPACTS

As the previous sections show, the impacts of AI are still to fully manifest, while predictions about everything from AI-linked productivity growth, job losses and societal transformation may or may not materialise at all in the long term. Given that AI remains a fairly new technology, the evidence base for assessing its impacts, especially in developing countries, is still being generated. Its rapid evolution in terms of capabilities and real-world impacts also means that such assessments would need to be constantly revised to take new developments in account.

Governments and policymakers across the globe are therefore being forced to grapple with finding the appropriate regulatory framework for AI. This is a difficult challenge as governing AI requires *inter alia* finding the right balance between increasing access, promoting innovation, and setting safeguards, while also providing regulatory clarity to stakeholders.

Recognising the diversity among global South countries with regard to their needs and capacities for AI development and deployment, it would be useful to consider the adoption of bespoke national approaches to AI that address current needs while maintaining flexibility to adapt to future developments in AI technologies[78]. For instance, in line with its national priorities, India has developed its own AI Governance Guidelines and has recently proposed the adoption of a techno-legal framework for governing AI which would embed safeguard mechanisms directly at the design and development stage for AI models, thereby enabling compliance for safe and trustworthy AI across its lifecycle and promote responsible AI by design[79].

The following sections therefore analyse the benefits of adoption varying kinds and levels of regulation for AI, and argues for an adaptable smart-mix approach that is tailored to national needs and priorities.

1. Horizontal Regulation

Some applications of AI systems are expected to have large scale and diffused impacts over the whole of society. For instance, these could include AI-powered forecasting models for natural disasters such as floods and wildfires which can provide advance warning to communities and help build disaster risk resilience. At the same time, it could also create risks such as enabling the production and rapid dissemination of misinformation which causes public harm.

For creating an overarching policy or regulatory measure that can address both the cross-sectoral and society-level impacts of AI, countries will first need to clearly identify their high-level priorities on AI. Some countries have adopted safety-first approaches to AI, while others have prioritised AI innovation, with most falling somewhere in between by adopting a risk-based approach requiring greater safeguards to be implemented in high-risk AI models and applications. The last approach could provide a balanced approach for most countries as it requires adopting effective measures for regulating AI impacts, supports innovation, and ensures that risks and potential harms are proactively identified and mitigated. Secondly,

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[78] Vahini Naidu and Danish, "From Fragmentation to Impact: Strengthening Southern Agency in Global AI Governance," South Centre Policy Brief 148, 17 November 2025. Available from https://www.southcentre.int/policy-brief-148-17-november-2025/

[79] Office of Principal Scientific Adviser to the Government of India, *Strengthening AI Governance Through Techno-Legal Framework*, White Paper Series on Emerging Policy Priorities for India's AI Ecosystem (New Delhi, January 2026). Available from https://psa.gov.in/CMS/web/sites/default/files/publication/AI-WP_TechnoLegal.pdf

countries would need to assess how new horizontally applicable AI regulations will interact with existing legal frameworks in different areas, and how coherence and complementarity can be built between them.

Countries would also need to embed their national sustainable development priorities within the new AI policy frameworks. This would require countries to preserve their policy space by enacting appropriate AI regulations and data governance policies that enables users to benefit from the use of their data as well as to allow safe and trustworthy AI to be deployed.

Other cross-cutting priorities should consider both increasing AI access and value addition. Foundational AI resources should be made accessible and affordable to the largest number of people. For most developing nations, expanding digital access remains the primary challenge, as it will be among the greatest drivers of future employment. Extending access can also help solve challenges in key areas such as agriculture, health, and education, especially in rural settings. For instance, research suggests that deploying AI technologies in rural areas could help improve the availability of healthcare access and medical service quality in primary health settings[80].

This must be paired with efforts to increase the economic value from AI-led productivity growth that can be added and retained by users. Realising such efforts in developing countries requires policy guidance to promote AI applications that function in low-resource environments. Countries could provide incentives to design AI applications that will run on devices with low computing power, like mobile phones, that are more readily available in developing countries; or have the ability to function without internet access. Real life examples of this already abound, such as that of PlantVillage Nuru, which is an AI application that helps farmers to identify plant pests and diagnose crops disease in the field without access to an internet connection[81].

Finally, AI must be oriented towards the public good. This requires keeping people at the core of AI, not only as users but as rightsholders. This requires emphasising human dignity, shared prosperity from economic gains, and mitigation of adverse AI impacts. For instance, by integrating AI into public service delivery with the necessary safeguards, public resources can be more efficiently distributed while opening a channel for enhanced engagement with the beneficiaries.

2. *Vertical Regulation*

In some cases, it might be more useful for governments to consider amending the applicable laws and sectoral regulations to adapt them for AI. This is particularly the case for highly regulated sectors such as insurance, automotives or pharmaceuticals, which can have significant environmental, health, safety, and social impacts. This approach must be rooted in inclusive, multistakeholder participation, especially since relevant stakeholders might be the best placed to provide evidence for the utility and expected level of AI integration in such sectors.

Adopting sector-specific industrial policies could also be used to increase AI integration in sectors with highest potential returns on investment in AI. For instance, an AI tool called AlphaFold2 provided a major breakthrough in biological sciences by predicting the structure

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[80] J. Guo and B. Li, "The application of medical artificial intelligence technology in rural areas of developing countries," *Health Equity*, vol. 2, No. 1 (1 August 2018), pp. 174–181. Available from https://doi.org/10.1089/heq.2018.0037.

[81] Food and Agriculture Organization (FAO), "PlantVillage Nuru". Available from https://www.fao.org/in-action/remote-sensing-for-water-productivity/applications-and-uses/applications-catalogue/product-detail/PlantVillage-Nuru_1331767/en

of proteins with around 90 percent accuracy. Its application could accelerate future innovations in the biotech sector such as through enabling faster drug discovery and vaccine development. Scaling up use cases with similarly identified benefits from AI integration should be promoted.

Achieving greater efficiency and innovation from applying AI to industrial processes should also be considered a priority. Tasks which are considered dangerous for humans and are already being replaced by robots would be among the prime targets for AI enabled automation. However, the maturity of the sector and local conditions also play a role. Different industries also have varying levels of readiness and adaptability for AI. For instance, incentivising digital firms for AI adoption is easier than requiring the same in a steel mill. Using industrial policies can provide an opportunity for governments to both nurture their nascent AI industries, as well as provide opportunities for greater integration with traditional industries.

In this context, it is also important to underscore that efforts to integrate AI with labour-intensive sectors should be handled very carefully, since the direct consequence of increased AI-led automation would be massive job losses. Mandating the use of *ex-ante* impact assessments of AI integration in these sectors, developing social safety nets and providing reskilling opportunities to workers would be necessary in such cases.

3. *Feedback and Adaptability*

Building effective AI governance requires regulatory models that can be adapted to technological developments as well as integrate continuous improvement based on the feedback received from stakeholders on the real-world AI impacts.

At the preliminary stage, effectiveness could be assessed by mandating the use of regulatory sandboxes for emerging technologies in order to identify their risks and impacts at the very outset. For instance, in 2023, the Brazilian Data Protection Authority (*Autoridade Nacional de Proteção de Dados,* ANPD) set up a pilot program to provide a controlled environment to participants to test their AI technologies. It enabled Brazil to foster AI innovation, while good practices could be implemented to ensure compliance with personal data protection rules and principles[82].

Once the AI models have been deployed, their regulation should be periodically assessed to verify impacts on society and stakeholders. This requires establishing participatory and inclusive processes that enable all stakeholders to provide meaningful feedback on the AI impacts being seen in real world settings.

The role of institutions for guiding AI policies is important in this context. The risk of a sectoral approach is that of 'silofication', where the different actors are engaging only in their respective domains, even though overlaps might exist with other agencies or bodies. Creating mechanisms for collaboration among different stakeholders is critical for building a coherent approach to AI governance.

Several countries have already set up inter-ministerial working groups that are mandated to oversee how AI is being integrated into public service delivery, where efficiency gains can be found and where adverse impacts need to be mitigated. For instance, Indonesia's Presidential Regulation on the National AI Roadmap envisages that each ministry and government agency will issue its own derivative regulations for governing AI use within their respective sectors.

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[82] Brazil ANPD, "ANPD's Call for Contributions to the regulatory sandbox for artificial intelligence and data protection in Brazil is now open," 3 October 2023. Available from https://www.gov.br/anpd/pt-br/assuntos/noticias/anpds-call-for-contributions-to-the-regulatory-sandbox-for-artificial-intelligence-and-data-protection-in-brazil-is-now-open

The Indonesian Ministry of Communication and Digital Application will coordinate AI governance, while technical implementation will be handled by individual ministries and institutions[83].

The utility of establishing AI Safety Institutes has also attracted attention, with several countries having already set up these bodies or having indicated their plans to do so. These institutes can provide unique value as they can evaluate and verify the safety of AI models before allowing their deployment to the general public. In addition, they can be mandated to provide evidence-based research for building AI safety and trust[84], which in turn helps build better AI governance frameworks.

Finally, peer learning from the experiences of other countries and stakeholders, including through SSTC should be considered, as it can help in the sharing of technology, resources, experiences and building capacity for responsible, safe and trustworthy AI.

4. Crafting a 'smart mix'

With AI, a one-size-fits-all approach to regulation would be counterproductive. Instead, countries could also consider the adoption of a 'smart mix' of measures for governing AI[85]. This would enable countries to implement the appropriate regulations and incentives to provide regulatory certainty, facilitate AI innovation, and ensure appropriate guardrails for AI safety and trust. Such a smart mix would include both voluntary and mandatory measures, as well as adapting existing regulatory frameworks in different areas to additionally cover the potential AI impacts in those sectors.

Adopting a mixed approach of binding legal frameworks, non-binding measures, or even industry self-regulation in the case of AI can offer several advantages. First, AI models can be developed for different purposes and abilities, and imposing the same compliance burdens on all models might be counterproductive. Second, further differentiation could also be considered for instance in the case of consumer facing AI models developed by large firms, as compared to an AI tool developed by a firm that is only trained on its own consumer data and deployed internally. Third, countries also need to have the tools to effectively regulate AI models and to take action against AI companies when their products cause harm. For instance, some countries recently blocked access to an AI tool which was being used to create explicit 'deepfake' graphic images and videos[86]. Similarly, binding regulatory measures should be used to guard against the use of AI by malicious actors to disseminate misinformation and disinformation.

The other facet of this smart mix should consider the revision, adaptation and building a coherent set of policies and regulations from diverse areas and sectors, such as labour, industrial development, competition, intellectual property, government procurement, electronics, information technology, and climate change, among others. For instance, governments considering the integration of AI into public service delivery could use government procurement policies to incentivise the development of frugal and open-source AI

[83] Julian Isaac, "Indonesia prioritizes AI regulation in 2026, says Communications Minister," *Indonesia Business Post*, 27 January 2026. Available from https://indonesiabusinesspost.com/5992/cyber-and-espionage/indonesia-prioritizes-ai-regulation-in-2026-says-communications-minister

[84] Anda Bologa, "Are AI safety institutes shaping the future of trustworthy AI?," *Digital Watch*, 10 December 2024. Available from https://dig.watch/updates/are-ai-safety-institutes-shaping-the-future-of-trustworthy-ai

[85] Ana Beduschi and Isabel Ebert, "The relevance of the Smart Mix of Measures for Artificial Intelligence - Assessing the Role of Regulation and the Need for Stronger Policy Coherence," Geneva Academy Working Paper, September 2021.

[86] Osmond Chia and Silvano Hajid, "Malaysia and Indonesia block Musk's Grok over explicit deepfakes," *BBC*, 12 January 2026. Available from https://www.bbc.com/news/articles/cg7y10xm4x2o

models for national implementation. This would address challenges from proprietary AI models, foster domestic AI industries and also reduce greenhouse gas emission, contributing to climate action. UNCTAD also highlights its value[87], noting that it requires putting in place a 'whole-of-government approach' for addressing AI impacts.

The proportion of the different regulatory measures, including principles, guidelines, rules and laws, is therefore highly dependent on national priorities and country contexts. Determining what works best for each country must be based on a collective, multistakeholder effort at the national level. In the short term, addressing AI risks and fostering the capabilities to use AI should be the major priorities. In the longer term, increased investment in building institutional capacities to assess AI impacts, effectively regulate AI, build digital skills and foster AI industries would be equally important. Both of these should also be strengthened through the provision of technology transfer, technical assistance and knowledge exchange through international cooperation, as well as learning from the experiences of other countries to understand how AI can lead to sustainable development.

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[87] UNCTAD, *Technology and Innovation Report 2025*, p. 135.

PART V – CONCLUSION

The emergence and rapid evolution of AI has brought the scale of its impacts on people and the planet into sharp relief. To harness its benefits and mitigate its harms, a new paradigm is needed, one that ensures that the development and deployment of AI is responsible, safe, trustworthy, and promotes sustainable development.

As Dario Amodei (CEO of Anthropic, an AI company) recently wrote, "AI brings threats to humanity from multiple directions, and there is genuine tension between the different dangers, where mitigating some of them risks making others worse if we do not thread the needle extremely carefully"[88]. Yet, as this paper highlights, it also brings potential opportunities to those with the capacity and readiness to grasp them.

Building readiness in the workforce requires the development of necessary digital skills to use AI, and adapt to technological advancements through upskilling and reskilling. Complementing it with increasing access to digital infrastructure fosters increased capabilities among countries to adopt the technologies and adapt it to their needs and contexts. Data remains a paramount resource in this context, necessitating the need for effective data governance frameworks that can enable users to share in the benefits of their data.

As the multidimensional impacts of AI and other frontier technologies continue to manifest in societies and economies, the ability to adapt to these changes as well as to adopt new digital tools for increasing productivity will be critical. The demands of the new digital infrastructure for AI will be immense, but innovation that promotes AI systems that can operate in low-resource environments could help alleviate some of these concerns. Democratising access to the digital infrastructure and AI literacy will be equally necessary as millions of young people join the labour force in a rapidly growing digital economy and encounter AI in the workplace.

For policymakers in developing countries, tailoring regulatory frameworks to align them with their national needs, resources, capacities and sustainable development priorities is key in this context. The primary need will be for securing the policy space to regulate AI and its impacts across the society and economy. A smart mix of horizontal and sectoral regulations, coupled with binding laws and guiding policy instruments provide considerably greater opportunities as compared to any singular policy approach.

Strengthening international cooperation on AI, including through South-South modalities can provide increased access to technological resources, experiences and know-how, while also enhancing efforts for coherent AI governance at the multilateral level. Finally, it is important to emphasise the use of multistakeholder collaboration, as processes like the India-AI Impact Summit offer important opportunities in 2026 to bring together stakeholders from around the world so that AI can be used responsibly for good and for all.

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[88] Dario Amodei, "The Adolescence of Technology," January 2026. Available from
https://www.darioamodei.com/essay/the-adolescence-of-technology

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