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An Enabling Regulatory Framework for Artificial Intelligence in Latin America and the Caribbean

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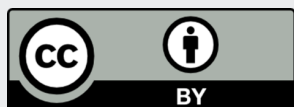
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Abstract*

Latin American and Caribbean (LAC) countries face a critical choice in artificial intelligence (AI) governance: adopt regulatory frameworks that enable innovation and competitiveness or risk falling behind in the global AI economy. This paper builds on the Inter-American Development Bank's AI framework, specifically the institution and governance pillar, arguing that a smart, enabling regulation is not a constraint but a catalyst for AI adoption. It reviews global regulatory models—from the comprehensive risk-based approach of the European Union to the sectoral model of the United States and the innovation-friendly framework of the United Kingdom—and analyzes their implications for the LAC region's unique context of high inequality, limited institutional capacity, and fragmented regional markets. The paper introduces a three-dimensional framework for regulatory choices (what, how, and who is regulated) and examines how LAC countries can navigate the AI trilemma of protecting rights, fostering innovation, and maintaining sovereignty while building regional AI integration. Rather than prescribing uniform solutions, the author outlines how the Bank can support its member countries in designing proportionate and adaptive regulatory approaches that strengthen competitiveness, build public trust, and position the region as a thoughtful contributor to global AI governance.

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1. Introduction

Artificial intelligence (AI) is no longer a distant promise of technological progress. Across the globe, it is shaping economic sectors, redefining business models, and transforming the way public institutions deliver services. In Latin America and the Caribbean (LAC), the diffusion of AI is still at an early stage, but adoption is accelerating in finance, health, education, and government. From Brazil's use of AI in tax compliance and Colombia's digital identity systems to Mexico's fintech innovations and the Caribbean's smart tourism platforms, the region is beginning to harness AI's transformative potential.

This momentum presents opportunities as well as challenges. Without appropriate governance, AI may reinforce existing inequalities—already among the world's highest in LAC—deepen labor market informality that affects over half the region's workers and erode the fragile trust between citizens and institutions that many countries are still rebuilding. With the right frameworks in place, however, AI can become a driver of productivity, inclusion, government responsiveness, and sustainable growth that the region desperately needs to escape the middle-income trap.¹

Against this backdrop, regulation has emerged as a central component of the AI landscape.² Yet regulation should not be viewed solely as a constraint on innovation. Properly designed, it is a catalyst for trust, predictability, and investment—particularly important in a region where institutional credibility and investor confidence remain fragile. This paper seeks to map the global regulatory landscape, explore strategic issues relevant to LAC's unique context, and outline the possible role of the Inter-American Development Bank (IDB) in fostering a constructive regional debate. It is not prescriptive; rather, it aims to provide a neutral foundation for member countries to consider their options while building toward a coordinated regional approach. This study aligns with the first pillar of the IDB Artificial Intelligence Framework—institutions and governance—and also addresses its connection to the other two: data and infrastructure and people.

¹ The proactiveness dimension of the 2023 OECD-IDB Index (OECD and IDB, 2024) highlights the strategic role of AI in enhancing government responsiveness anticipating user needs.

² For an analysis of other enabling key conditions such as skills and connectivity, see IDB (2025).

2. Why Regulation Matters: The Innovation-Enabling Case

The rapid pace of AI innovation has generated concerns about bias, misinformation, systemic risks, and loss of human oversight (UNESCO, 2021; OECD, 2019). These challenges highlight the need for regulation to safeguard rights and ensure accountability. For LAC countries—many of which are still building their digital ecosystems—smart regulation is also a key enabler of innovation.

First, an enabling regulatory framework (ERF) provides clarity and predictability. The region’s entrepreneurs and small and medium enterprises (SMEs), which often operate with limited resources and legal expertise, need clear rules to navigate AI development and deployment. Ambiguity discourages investment and increases the risk of harmful practices. For LAC’s growing fintech sector, for example, clear AI governance standards can facilitate expansion across borders while ensuring consumer protection. A transparent regulatory framework reduces uncertainty and lowers barriers to entry (Cihon, 2019).

Second, an ERF strengthens trust and legitimacy. In a region where “27 percent of Latin Americans report high or moderately high trust in national legislatures, and 19 percent in political parties,” citizens’ confidence in AI-enabled services cannot be taken for granted (OECD, 2025). Public acceptance is earned through transparency, oversight, and effective remedies for harm. This is particularly critical for government services—from social protection systems to law enforcement—where algorithmic bias could exacerbate existing inequalities (European Commission, 2021).

Third, an ERF can create a more level playing field. Without oversight, dominant players may consolidate power and smaller firms may struggle to compete—a particular concern in LAC where market concentration is already high in key sectors. Proportionate rules, applied fairly, allow local start-ups and SMEs to innovate. This includes providing standardized templates, shared resources, and modular compliance pathways (Levy Yeyati, 2025).³

Finally, an ERF enhances regional competitiveness and market access. As global markets increasingly require compliance with standards set in the United States,

³ According to the IDB (forthcoming), market concentration in the region (measured through the Herfindahl-Hirschman Index) is 4 times higher in the LAC region than in advanced economies and the median markup in the region is around 1.35, compared to 1.20 in advanced economies.

European Union, and other major economies, LAC firms that proactively align with international benchmarks will find it easier to integrate into global supply chains and access export markets. A coordinated regional approach could also give the region greater influence in international standard-setting processes (OECD, 2021).

A stable and predictable framework does not imply the absence of regulation. On the contrary, proportionate rules governing activities with probabilistic risks can be enabling, as they reduce uncertainty and create the conditions for firms and consumers to adopt and scale AI responsibly. Evidence shows that entrepreneurs and SMEs value stability and predictability above all (Cihon, 2019; OECD, 2021), yet the content of regulation also matters. Three domains are particularly relevant:

- Rules that address market failures discouraging adoption, such as uncertainty over the assignment of property rights to training data and AI outputs.
- Rules that mitigate risks to consumers, including bias, opacity, and misinformation, which can undermine trust and slow uptake (UNESCO, 2021; European Commission, 2021).
- Rules that govern the distribution of benefits, determining who holds rights to personal data and inferences derived from it, and how AI complements rather than substitutes for human capital (Babina et al., 2024). While there is no consensus on the precise content of an enabling framework, stability and predictability across these domains are essential for responsible development and private investment.

In this sense, any enabling regulatory framework must also be able to answer a set of fundamental questions:

- How serious is each threat to household welfare?
- What market or governance failure explains its persistence?
- Which regulatory approach is best suited to address it?

Given the rapid evolution of AI, the answers will inevitably shift over time, underscoring the need for adaptive frameworks that provide stability today while embedding mechanisms for continual learning and adjustment (Brookings Institution, 2025; NIST, 2023).

3. Global Patterns of AI Regulation

Countries and regions across the globe are experimenting with diverse approaches to AI governance, reflecting different priorities and institutional capacities. While no single model is universally applicable, the following five broad patterns can be observed:

- **Principles-based frameworks.** International initiatives, such as the OECD AI Principles (OECD, 2019) and the UNESCO Recommendation (UNESCO, 2021), provide voluntary, values-driven guidance. They set high-level goals around transparency, accountability, fairness, and human rights. Their strengths lie in inclusivity and flexibility, making them particularly attractive for countries with limited regulatory capacity. However, their non-binding nature limits enforceability and concrete guidance for implementation.
- **Comprehensive, risk-based approaches.** The European Union's AI Act (European Commission, 2021) represents the most ambitious effort to date. It classifies AI systems by risk level—from minimal to unacceptable—and imposes proportionate obligations, ranging from transparency requirements to full conformity assessments and market surveillance. This approach is systematic and predictable but can be costly and demanding for smaller actors, raising questions about its applicability in developing economies.
- **Sectoral and guidance-first models.** The United States has avoided a single national law, instead relying on existing sectoral regulators (e.g., the Food and Drug Administration, Federal Trade Commission, and Consumer Financial Protection Bureau) to issue guidance while the National Institute of Standards and Technology AI Risk Management Framework provides voluntary standards (NIST, 2023). This model emphasizes flexibility and leverages existing institutional capacity but risks fragmentation and inconsistency across sectors—a particular concern for countries with weaker sectoral regulators (Freeman Engstrom et al., 2020).
- **Adaptive, innovation-friendly approaches.** The United Kingdom emphasizes regulatory sandboxes, sector-specific guidance, and specialized safety institutions like the AI Safety Institute (UK Government, 2023). This model encourages experimentation and evidence generation, allowing for course

corrections as technologies evolve. It may be particularly suitable for countries seeking to balance innovation promotion with risk management.

- **Security- and sovereignty-first models.** China prioritizes national security, content management, and control of critical infrastructure, with regulation tightly coupled to broader state objectives (Sheehan, 2023). While effective in asserting governmental authority, this approach raises questions about openness, innovation, and international interoperability—key concerns for LAC countries seeking to integrate into global digital markets.

These patterns form a spectrum from principle-based to prescriptive, from permissive to restrictive. For LAC countries, they highlight the importance of tailoring approaches to local institutional contexts, economic structures, and development priorities while remaining mindful of international alignment and regional coordination.

Box 1. AI Regulatory Models

AI regulatory models can be understood as combinations of three fundamental dimensions, each of which involves choices that carry trade-offs, shaped by technological uncertainty and institutional capacity (Table 1).

Table 1. Conceptual Framework for AI Regulatory Choices in Latin America and the Caribbean

DIMENSION	POLICY OPTIONS	IMPLICATIONS AND TRADE-OFFS
1. WHAT IS REGULATED	<ul style="list-style-type: none"> • Technology itself: algorithmic transparency, technical requirements, traceability. • Outcomes of its use: bias, discrimination, exclusion, disinformation, social harm. 	<ul style="list-style-type: none"> • Regulating technology provides early control but risks being rigid and quickly outdated. • Regulating outcomes focuses on social impact but may leave critical risks unaddressed until harms materialize.
2. HOW REGULATION IS APPLIED	<ul style="list-style-type: none"> • Binding instruments: laws, formal regulations, sanctions. • Non-binding instruments: voluntary standards, sectoral agreements, codes of conduct. • Hybrid approaches: mix of hard and soft law. 	<ul style="list-style-type: none"> • Binding instruments ensure enforceability and legal certainty but require strong capacity and may slow innovation. • Non-binding instruments are flexible and low-cost but depend on voluntary compliance. • Hybrid approaches balance certainty and flexibility but demand nuanced governance.
3. WHO IS REGULATED (AND HOW DIFFERENTIATED)	<ul style="list-style-type: none"> • By type of actor: large platforms vs. SMEs/local developers. • By type of application: high-risk (e.g., military, biometric surveillance) vs. low-risk (e.g., education, customer service). • By risk exposure: proportional regulation based on potential harm. 	<ul style="list-style-type: none"> • Uniform regulation risks overburdening smaller actors and stifling innovation. • Differentiated regulation promotes proportionality but requires strong monitoring capacity. • Risk-based regulation, a subtype of differentiated regulations aligned with the European approach, additionally demands reliable assessment tools.

These dimensions outline the menu of regulatory choices. Yet, in practice, governments' room for maneuvering is constrained by broader structural conditions that determine what is realistic.

- **Cross-cutting structural factors.** Two structural conditions shape regulatory choices everywhere but are particularly acute in LAC countries. The first is technological uncertainty, which makes it difficult to anticipate risks and therefore favors adaptive, flexible approaches that can evolve as technologies mature. The second is institutional capacity, which constrains the feasibility of sophisticated, resource-intensive frameworks, especially in countries where regulatory agencies are still consolidating.
- **Policy relevance for the LAC region.** Within this context, different applications call for different governance strategies. High-risk uses—such as AI in weaponry or biometric surveillance—require strict, binding regulation to safeguard rights and public trust. By contrast, general-purpose or low-risk applications may be better suited to softer governance mechanisms, relying on voluntary standards and sectoral codes. Meanwhile, SMEs and local developers need proportionate and simplified compliance pathways that encourage innovation rather than erect new barriers to entry.
- **Mapping global models through this framework.** The framework also helps situate global regulatory approaches. The European Union’s AI Act emphasizes *what is regulated* (risk levels) and relies on binding instruments, resulting in a predictable but resource-intensive model less friendly to SMEs. The United States has adopted a sectoral, guidance-first approach, favoring non-binding instruments but producing fragmented coverage. The United Kingdom relies on sandboxes and sectoral guidance, reflecting a hybrid, innovation-friendly approach. China, by contrast, regulates both technology and outcomes under a security-driven logic, with centralized, binding instruments that ensure strong enforcement but reduce openness. Finally, Brazil’s draft law points to a hybrid model that combines binding obligations for high-risk uses with more flexible guidance for lower-risk applications.

Taken together, this framework allows LAC authorities not only to classify global models but also to locate their own regulatory strategies within a structured map of choices, constraints, and trade-offs, helping them anticipate costs, sequence reforms, and design proportionate approaches suited to their context.

4. The AI Trilemma in the Latin American and Caribbean Context

Latin American and Caribbean countries face a particularly acute triple challenge that requires balancing the following competing priorities within the region's specific constraints:

- **Rights and safety in unequal societies.** Citizens must be protected against biased algorithms, unsafe applications, and the erosion of fundamental rights. This is especially critical in LAC countries, where AI systems could amplify existing inequalities in access to credit, employment, justice, and public services. The challenge is heightened by weak rule of law and limited judicial capacity in many countries (UNESCO, 2021).
- **Innovation and competitiveness with limited resources.** Regulations must avoid discouraging local entrepreneurs, SMEs, and start-ups, which are critical to the region's digital ecosystem but often lack the resources for complex compliance. The goal is fostering innovation while ensuring that local companies can compete both regionally and globally. This requires proportionate approaches that do not favor large multinationals over domestic innovators (Levy Yeyati, 2025).
- **Sovereignty, openness, and regional integration.** Governments seek to retain control over sensitive data and critical infrastructure while remaining open to international investment and technology transfer. However, purely national approaches risk creating a fragmented regional market of 650 million people, reducing competitiveness and limiting the benefits of regional integration that have been central to the region's development strategy. Existing initiatives such as the Digital Agenda for Latin America and the Caribbean (eLAC2026) and the Latin American Artificial Intelligence Index (ILIA) coordinated by the Economic Commission for Latin America and the Caribbean (ECLAC) show the potential of building shared benchmarks and regional coordination mechanisms (ECLAC, 2024a; ECLAC, 2024b).

These tradeoffs are particularly visible in the investment dimension: predictable, low-cost regulations can accelerate adoption and investment, while unstable or costly regimes risk driving activity elsewhere. Clear property rights over data and outputs similarly condition whether AI ecosystems flourish or stagnate.

The balancing act is particularly challenging for LAC countries because of their institutional constraints. Many have limited regulatory capacity, fragmented governance structures, and competing priorities for scarce public resources.⁴ The challenge is to find pragmatic solutions that are both effective and implementable—through risk-based duties, graduated requirements, regional standards, and adaptive mechanisms that can evolve with institutional capacity.

5. Strategic Issues for Latin America and the Caribbean

Several pressing questions frame the regulatory debate in LAC countries, each requiring attention to the region’s specific context:

- **Prioritizing AI risks.** Global debates show wide variation in which risks are regulated and how, reflecting differences in (i) levels and types of risks, (ii) household perceptions and tolerance of those risks, and (iii) costs of mitigation and societal sensitivity to those costs. For the LAC region, it is equally important to define—with as much clarity and evidence as possible—the risks that matter most from the perspective of its citizens. This prioritization will help countries target scarce regulatory capacity where it is most needed and shape initiatives that are proportionate, politically sustainable, and credible in the eyes of households (UNESCO, 2021; OECD, 2021; Brookings, 2025).
- **Harmonization versus sovereignty.** Should LAC countries converge on minimum shared standards—such as algorithmic audits, transparency obligations, and incident reporting mechanisms—to prevent regulatory arbitrage and encourage regional integration? A coordinated approach could strengthen the region’s voice in global standard-setting and reduce compliance costs for companies operating across borders. Regional mechanisms such as the eLAC2026 provide a platform to advance this dialogue (ECLAC, 2024a).

⁴ The 2023 OECD-IDB Digital Government Index (OECD and IDB, 2024) shows that LAC countries score significantly below OECD averages across all dimensions of digital governance. For example, in the “monitoring” facet—critical for implementing risk-based regulation—LAC countries score just 9 percent compared to 44 percent in OECD countries. Similarly, only 26 percent of LAC countries have a comprehensive data strategy, and 70 percent lack a public organization responsible for data leadership. These gaps highlight the institutional constraints that make complex regulatory models harder to implement in the region.

- **Institutional feasibility and sequencing.** Which regulatory measures can realistically be implemented given limited technical capacity and competing policy priorities? Immediate steps might include AI system registries, public sector procurement clauses, and basic incident reporting. More demanding measures such as certification regimes, algorithmic auditing requirements, and specialized evaluation units may require longer timeframes and capacity building. The key is building regulatory capability progressively rather than attempting comprehensive frameworks that exceed institutional capacity (Brookings, 2025).
- **SME inclusion and proportionality.** How can regulations be designed to include rather than exclude smaller firms? This might involve tiered requirements based on company size or AI system impact, standardized compliance templates, shared audit services, or regional support mechanisms. Given that SMEs employ 67 percent of the workforce in the LAC region, their inclusion in the AI ecosystem is crucial for broad-based growth (Freeman Engstrom et al., 2020). However, proportionality in AI regulation should not rely solely on firm size. A more refined approach can combine several dimensions: (i) size, as a proxy for compliance capacity; (ii) the volume and sensitivity of the data an organization handles, as a proxy for risk; and (iii) the nature and reach of the application, as a proxy for social or economic impact. Together, these criteria ensure that oversight scales with potential harm rather than market power alone, protecting small innovators without exempting large actors that process vast or sensitive datasets. Although designing such a multidimensional framework is complex, it provides a sounder regulatory foundation, aligning supervision with real risks and preserving space for innovation.
- **Regional platforms as anchors.** Beyond national initiatives, LAC countries already have operational spaces for digital policy coordination. While the eLAC2026 provides a framework for advancing regional digital priorities, the ILIA offers comparative benchmarks on AI readiness (ECLAC, 2024a; ECLAC, 2024b). In parallel, the MERCOSUR Digital Agenda (2018–2025) has brought together Argentina, Brazil, Paraguay, and Uruguay to work on common rules for digital infrastructure, e-commerce, and data flows. Although not AI-specific, this platform demonstrates the bloc’s capacity to harmonize aspects of digital

governance, offering a concrete base from which AI regulation discussions could emerge. In addition to these regional and multilateral spaces, the IDB can also leverage its own platforms—such as FAIRLAC, the GELAC Network, and BID for the Americas. These platforms provide concrete vehicles to convene stakeholders, disseminate best practices, and link the regulatory debate with broader agendas on data, institutional strengthening, and private sector engagement. FAIRLAC can help anchor discussions in evidence and data governance, GELAC can facilitate peer learning and cooperation among regulators, and BID for the Americas can serve as a bridge to public-private dialogue and regional market integration.

- **Leveraging existing institutions.** Rather than creating new regulatory bodies, how can LAC countries build on existing institutions? Competition authorities could address AI-related market concentration, data protection agencies could expand to cover algorithmic transparency, and sectoral regulators could develop AI-specific guidance. This approach may be more feasible and cost-effective than establishing dedicated AI authorities. It is also important to differentiate between AI use in the private versus public sector. In the former, the key question is whether market forces suffice to discipline bias, inaccuracy, or abuse. In the latter, the challenge is whether political and administrative accountability mechanisms are sufficient to safeguard citizen welfare. Where neither is adequate, new regulatory or governance institutions may be required.
- **Data governance for development.** Safe, responsible use of data is central to AI development, but LAC countries often lack comprehensive data strategies. Can countries collaborate on shared data infrastructures—such as development-focused data libraries, public-private data trusts, or common evaluation datasets—that balance innovation with privacy and security? Regional cooperation could help smaller countries access the data scale needed for effective AI while maintaining sovereignty (Babina et al., 2024). However, before countries can collaborate effectively on data sharing, they must address fundamental gaps in their domestic data governance systems.
- **Public sector as innovation catalyst.** Governments can play a pioneering role by piloting AI in high-impact areas like healthcare triage, education tutoring, financial inclusion, and urban transport—areas where LAC countries have both

significant needs and growing expertise. Such pilots can generate local evidence, build institutional capacity, and demonstrate responsible AI use to private sector and civil society (Thapa, 2024).

- **Multinational coordination.** How should LAC countries engage with multinational companies that may be subject to AI regulations in their home countries? Can mutual recognition agreements or regulatory coordination reduce duplicative compliance burdens while ensuring local policy objectives are met?

Box 2. Data Governance Models: Global Options and Lessons for Latin America and the Caribbean

Global debates on AI regulation highlight different approaches to data governance. The United States relies on sectoral regulators and voluntary standards, offering flexibility but producing fragmentation. The United Kingdom promotes sandboxes and adaptive mechanisms that evolve with technology, while China embeds data and AI in a broader strategy of sovereignty and control. Although these models are useful references, for the LAC region the starting point is more basic: most countries still lack the institutions and infrastructure needed to govern data effectively. On this front, the following challenges stand out:

- **Fragmented data ecosystems.** According to the OECD and IDB (2024), 70 percent of LAC countries have no public organization responsible for data leadership and 83 percent lack data inventories. This leaves ministries and agencies operating in silos, undermines cross-sector collaboration, and limits governments' ability to mobilize data for AI or service delivery. Addressing this requires a central coordinating function, whether through a new body or by strengthening existing digital government or data protection authorities, with a clear mandate to maintain inventories and set standards.
- **Weak interoperability.** Although 61 percent of LAC countries have some kind of interoperability framework, only 22 percent exchange all key data categories, and half of national institutions remain outside these systems. As a result, critical registries—such as those on identity, health, or taxation—cannot be combined to support integrated services or AI applications. Expanding coverage and standardization is essential, starting with a few core datasets and gradually broadening scope as capacity allows.

These gaps are binding constraints on implementing any AI regulatory model. Without inventories and interoperable systems, the risk-based approaches used in Europe become impossible to monitor, the sectoral coordination favored in the United States cannot function effectively, and even basic transparency requirements cannot be verified. Strengthening data leadership and interoperability is therefore not an optional add-on but a prerequisite for any enabling regulatory framework discussed herein. The IDB can support LAC countries by helping them map existing assets, designate or reinforce institutional anchors, and converge around regional benchmarks that reduce duplication and open the door to cross-border cooperation.

6. The Bank's Role

The IDB, as a trusted regional institution with deep experience in both digital transformation and institutional strengthening, is uniquely positioned to facilitate the AI regulation debate. Rather than prescribing uniform solutions, the Bank can act as a neutral broker, capacity builder, and enabler through three main areas of action:

I. Regional coordination

The Bank can help prevent regulatory fragmentation and foster interoperability across the LAC region through the following:

- **Convening inclusive dialogue** that brings together policymakers, regulators, private sector, civil society, academia, and international partners. This includes facilitating South—South learning from countries such as Chile, Colombia, and Uruguay and leveraging regional spaces such as the eLAC2026 and ILIA (ECLAC, 2024a; ECLAC, 2024b).
- **Leveraging its own platforms** (e.g., FAIRLAC, the GELAC Network, and BID for the Americas) as concrete vehicles to convene stakeholders, disseminate best practices, and connect the regulatory debate with broader agendas on data, institutional strengthening, and private sector engagement.
- **Convening a LAC AI task force** within the Americas Business Dialogue to connect private sector actors with policymakers, enrich policy design, and foster actionable consensus while aligning with emerging global standards.
- **Facilitating regional harmonization** through mutual recognition of AI evaluations, interoperable technical standards, and regional working groups on specific AI applications.
- **Bridging global and regional perspectives**, ensuring that LAC priorities are represented in international AI governance debates.

II. Capacity building and institutional design

The Bank can strengthen governments' ability to design, implement, and oversee proportionate and adaptive regulatory frameworks by:

- **Developing practical tools and capacity**, such as templates for AI registries, procurement clauses, evaluation protocols, and risk assessment frameworks.
- **Delivering training programs** for regulators, judges, and civil servants.

- **Supporting regulatory sandboxes** and pilot projects in priority sectors such as fintech, health, and education, enabling “learning by doing” rather than purely theoretical design.
- **Facilitating peer learning and cooperation** among regulators through its platforms (e.g., the GELAC Network).

III. **Financing and enabling environment**

The Bank can act as a catalyst for investment in the infrastructure and tools needed for responsible AI adoption, particularly in countries with lower institutional capacity, by:

- **Mobilizing financing and technical assistance** to support regulatory institution building, long-term capacity programs, and access to international expertise.
- **Strengthening data and digital infrastructure** through regional data governance frameworks, secure data-sharing mechanisms, and evaluation benchmarks.
- **Supporting local AI development** by incentivizing open, context-relevant models and ensuring sustainable adoption across diverse country contexts.

7. **Conclusions**

AI regulation is not an obstacle to innovation, rather it is innovation’s foundation. By providing clarity, trust, and predictability, well-designed regulation creates the conditions for responsible adoption and sustainable growth. The challenge for LAC countries is to design frameworks that are enabling rather than constraining, proportionate to institutional capacity, and regionally coherent without being uniform.

The LAC region can learn from global experiences while developing approaches suited to its own context—high inequality, limited institutional capacity, large informal sectors, but also growing digital expertise and strong regional integration mechanisms. Rather than simply importing models designed elsewhere, the region can contribute to the global conversation on AI governance by demonstrating how emerging economies can balance innovation, rights, and sovereignty.

Fragmented data ecosystems and weak interoperability are not minor administrative issues in the LAC region. They are binding constraints on the region’s ability to develop AI responsibly, deliver effective digital services, and participate in cross-border data flows. Closing these gaps is a precondition for any enabling regulatory framework, requiring countries to designate or strengthen a credible

coordinating authority, establish and maintain comprehensive data inventories, and progressively expand interoperability across priority registries. Regional cooperation, supported by platforms such as the eLAC2026 and ILIA (ECLAC, 2024a; ECLAC, 2024b), can accelerate progress and prevent duplication. The IDB's role is to help governments build these foundations pragmatically, ensuring that AI governance in the region rests on solid and trusted data institutions.

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