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'I/A' ITEM NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Council conclusions on the European Court of Auditors Special Report No 08/2024 entitled 'EU Artificial Intelligence ambition – Stronger governance and increased, more focused investment essential going forward' - Approval

1. On 29 May 2024, the European Court of Auditors published its Special Report No 08/2024 entitled “*EU Artificial intelligence ambition – Stronger governance and increased, more focused investment essential going forward*”¹.
2. Pursuant to the rules set out in the Council conclusions on improving the examination of special reports drawn up by the European Court of Auditors², on 12 June 2024 the Permanent Representatives Committee instructed the Working Party on Telecommunications and Information Society (hereafter: WP Telecom) to examine the Special Report.
3. On 18 June 2024, the representatives of the Court of Auditors presented the Special Report to WP Telecom.

¹ Doc. WK 7636/2024 INIT, OJ C, C/2024/3540, 29.5.2024.

² Doc. 7515/00 FIN 127 + COR 1.

4. On 12 September 2024, the Presidency presented the first draft of Council conclusions on the Special Report to WP Telecom, and it invited the delegations to provide their comments.
5. Based on the oral and written input from the delegations, the Presidency prepared a new compromise version of Council conclusions, which was presented and discussed during the meeting of WP Telecom on 24 September 2024. Delegations were satisfied with the text and only had minor suggestions to be reflected in the final version of the conclusions.
6. The Permanent Representatives Committee will find in the Annex the final version of Council Conclusions on the European Court of Auditors Special Report No 08/2024 entitled '*EU Artificial Intelligence ambition - Stronger governance and increased, more focused investment essential going forward*', as resulting from the work carried out at working party level.
7. The Permanent Representatives Committee is invited to:
 - approve the text set out in the Annex to this note, with a view to allowing for its approval by the Council;
 - recommend that the Council, at the meeting of the Economic and Financial Affairs Council on 5 November 2024, approves the draft Council conclusions on the European Court of Auditors Special Report No 08/2024 entitled '*EU Artificial Intelligence ambition - Stronger governance and increased, more focused investment essential going forward*'.

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COUNCIL CONCLUSIONS

on the European Court of Auditors' Special Report No 08/2024 entitled

'EU Artificial Intelligence ambition – Stronger governance and increased, more focused investment essential going forward'

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING

- the Commission's Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the Coordinated Plan on Artificial Intelligence,¹
- the Commission's Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on Fostering a European approach to Artificial Intelligence in particular the objective to make the EU a world-class hub for AI, while ensuring that AI is human-centric and trustworthy,²
- the Commission's Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on boosting start-ups and innovation in trustworthy artificial intelligence,³
- the Council Conclusions on strengthening knowledge valorisation as a tool for a resilient and competitive industry and for strategic autonomy in an open economy in Europe,⁴

¹ https://eur-lex.europa.eu/resource.html?uri=cellar:22ee84bb-fa04-11e8-a96d-01aa75ed71a1.0002.02/DOC_1&format=PDF

² https://eur-lex.europa.eu/resource.html?uri=cellar:01ff45fa-a375-11eb-9585-01aa75ed71a1.0001.02/DOC_1&format=PDF

³ eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52024DC0028

⁴ <https://data.consilium.europa.eu/doc/document/ST-10182-2024-INIT/en/pdf>

1. WELCOMES the European Court of Auditors' Special Report No 08/2024 entitled "*EU Artificial Intelligence ambition – Stronger governance and increased, more focused investment essential going forward*" and the Commission's detailed replies accompanying the Report.
2. TAKES NOTE that the scope of the European Court of Auditors' audit is a period starting from 2018 and ending in 2022 for the AI research and innovation support policies and 2023 for the regulatory initiatives, and that it was focused on assessing the effectiveness of the following Commission actions:
 - the coordination of EU AI plans (2018, 2021), including regulatory initiatives to stimulate EU investment in data and trustworthy AI;
 - the implementation of EU-funded measures to stimulate the deployment and scaling-up of AI innovations following the adoption of the 2018 EU AI Plan;
 - the implementation of EU-funded AI R&I actions over the 2014-2022 period (Horizon 2020 and Horizon Europe).
3. TAKES NOTE of the observations of the Report, in particular that:
 - the EU framework for coordinating and regulating EU investment in AI is a work in progress, whereas the Commission's coordination as well as evaluation, with the Member States, had limited effects;
 - the implementation of the envisaged enablers for AI innovation is ongoing; and
 - the Commission boosted the funding of R&I in AI, yet lacks an effective framework for performance monitoring.
4. In addition to the observations of the report CONSIDERS that the environmental impact of AI systems, high-performance computing and possible solutions to increase energy efficiency as well as securing of a reliable hardware supply chain are important factors that should also be taken into account in AI policies.

5. In light of the increasing role of AI in society and economies, AGREES with the Court's conclusion that the EU has to scale up investments in AI and facilitate access to digital infrastructure, in order to be a globally competitive actor with a global impact, assume leadership in the development and deployment of AI, foster talent and create an ecosystem of excellence and trust. EMPHASIZES that scaling up investments could be done within the framework of the current Multiannual Financial Framework (MFF) and more substantial scaling up of investments could be prioritised under the next MFF without pre-empting the negotiations.
6. RECALLS that, due to its scope and timeframe, the Report could not take into account the latest developments in the EU regulatory and governance framework of AI such as:
- the Commission Decision on establishing the European Artificial Intelligence Office;
 - the revision of the Council Regulation (EU) 2021/1173 of 13 July 2021 on establishing the European High Performance Computing Joint Undertaking and repealing Regulation (EU) 2018/1488, laying the ground for the AI Factories; and
 - Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828;

and INVITES the Court to follow up on its report, taking into account these new initiatives.

7. RECALLS that particular attention will need to be paid when implementing this regulatory and governance framework and developing the relevant harmonised standards, in order to ensure that these instruments act as levers for innovation, as well as support the development and adoption of competitive and trustworthy AI solutions in the Union.

8. WELCOMES the efforts of the Commission to grant funding to the AI ecosystem through research & innovation and digital programmes, notably:
- the Digital Europe Programme, in particular the grants for Testing and Experimentation Facilities (TEFs) for AI, the European AI on Demand Platform and European Digital Innovation Hubs (EDIHs);
 - the Research and Innovation Framework Programmes, i.e. Horizon 2020 and Horizon Europe, in particular in the context of ADRA, the European partnership on AI, Data and Robotics, one of the European partnerships in Cluster 4 (digital, industry, and space) in Horizon Europe, as well as investments funded by the European Innovation Council (EIC);
 - European Digital Infrastructure Consortia (EDICs), in particular the 'Alliance for Language Technologies' (ALT-EDIC) and the 'CitiVERSE' EDIC;
 - the EuroHPC Joint Undertaking; and
 - the GenAI4EU initiative.

ACKNOWLEDGES the already existing synergies between the listed instruments in DIGITAL and HORIZON Europe and CALLS for strengthened synergy and consolidation among existing funding programmes, clarifying the scope and complementarity of these, especially for SMEs and companies engaging in AI and digitalisation efforts. RECOGNISES the importance of continued efforts to streamline and promote existing funding opportunities, making them more accessible and visible to SMEs and other stakeholders engaged in AI and digitalisation.

9. AGREES that the investment targets defined in 2018 can no longer serve as a benchmark and INVITES the Commission together with the Member States to define well-founded, future-proof investment targets, which take into account the current investment landscape and needs of the Member States. To this end CALLS for a revision of the Coordinated Plan on AI (2021) to ensure alignment with the latest technological developments and regulatory frameworks, taking into account that setting prescriptive national investment targets may distort the investment landscape by duplicating research and investment efforts in certain areas and lead to the uneven and unjustified distribution of resources. In this context, WELCOMES the Commission's intention to adopt an ambitious 'Apply AI Strategy' that prioritises deployment and uptake of AI technologies.
10. AGREES with the Court that close cooperation and collaboration with the Member States and international organizations, with a view to maximizing the impact of investments at EU and national levels, while capitalizing on synergies, is a key element to ensure EU's global leadership in AI and its positioning as a reference point for AI governance and INVITES the Commission to intensify the regular information sharing towards the Council and its relevant preparatory bodies in order to support the EU's strategic engagement in international fora and cooperation with partners.
11. WELCOMES the Commission's efforts in developing a new monitoring framework to track the implementation progress of national AI strategies, assess the public and private sector's investments in AI and acquire information about the uptake of AI in the EU. INVITES the Commission to further enhance the exchange with the Member States through the AI Office and the AI Board in supporting a wider exchange of information.
12. AGREES that non-legislative measures that promote seamless data sharing at scale, while respecting high privacy and security standards are necessary to boost the development of the European AI ecosystem and UNDERLINES that the drafting of good practices and the enabling of sector-wide agreements are of utmost importance in that regard.

13. RECOGNISES that the recommendation made by the Court to evaluate the need for targeted financing scheme for enhancing the accessibility and scale of EU capital support for SMEs aims to enable innovation and stimulate access to capital on the European market, but CONSIDERS that such targeted schemes could lack flexibility, potentially overlap with other schemes and would not be able to reflect on specific and ad-hoc priorities. EMPHASIZES that mobilising private investments could be an alternative to setting up a targeted financing scheme for the need for more EU capital support for SMEs. STRESSES the importance of ensuring that funding mechanisms are transparent, market-oriented, and respect the principle of excellence.
14. RECALLS that access to finance and capital, to data and to the other resources needed to develop competitive AI solutions (such as computing or cloud) remains a major challenge, for which the EU's ability to propose coordinated solutions at scale that take account of the specific needs of SMEs will play a central role. The Council therefore UNDERLINES the importance of the recommendation to facilitate SMEs' access to AI facilities and INVITES the Commission to foster the operation of the AI innovation infrastructure in a coordinated way through designating EDIHs as access points for SMEs towards other AI support measures, building further synergies by using the AI Startups and Innovation Package and facilitating access to the AI Factories, as well as improving the availability of relevant expertise to enable SMEs to fully benefit from the resources made available to them, such as supercomputing.
15. TAKES NOTE of the recommendation which calls for a reinforced monitoring framework which includes the tagging of financial support for AI development and uptake in the EU. RECALLS that the Inter-Institutional Agreement, adopted in parallel to the 2021-2027 Multiannual Financial Framework regulation, defines the priorities for which the EU budget expenditure should be tracked, and therefore EMPHASISES that more effort should be put into the efficient exploitation and commercialisation of project results, rather than increasing the monitoring burden on beneficiaries.

16. Understanding that AI can boost European competitiveness if the results of R&I projects are commercialised or exploited directly or indirectly, AGREES with the Court about the need for measurable performance targets and indicators, yet STIPULATES that they should be designed carefully without hindrance to the overall objective of the projects, in a way that would not add additional burdens to the beneficiaries, the Member States, and implementing entities. With that in mind the Council INVITES the Commission to review existing key performance indicators with a view to assess the need for AI-specific indicators, as well as to explore the avenues to further enhance the monitoring of the implementation and effectiveness of the projects for the next MFF, taking into account the existing legal provisions in the programme regulations.
17. In line with the findings of the report, INVITES the Commission to strengthen the support to facilitate the market uptake and value creation of R&I projects results at the global level in particular by:
- further developing support and networking services towards results’ owners;
 - evolving the Horizon Results Platform towards a fully-fledged marketplace to become a one stop shop for supporting valorisation and exploitation of Framework Programme funded R&I projects, connected when and where meaningful to the European Open Science Cloud as a web of Findable, Accessible, Interoperable, and Reusable data and related services for science;
 - ensuring, based on technology readiness level of the project, the preparedness of beneficiaries and the project objectives, that project beneficiaries apply for and use relevant services supporting the dissemination, exploitation and commercialization of research results in a more efficient manner; and
 - running a post-grant questionnaire in particular for R&I projects aimed at market uptake and value creation, to know more about the results of efforts dedicated to exploitation and valorisation, ongoing or aborted, and to possibly trigger supporting actions.
18. INVITES the Commission to follow up on the Court’s report, and to inform the Council on the progress made in the implementation of its recommendations, based on relevant targets and performance indicators.