

[AI Act: startups, SMEs from CEE and beyond raise their voice to enable further development and boost of AI innovations in their businesses](#)

27th June 2023

Dear Members of the European Parliament,
Dear Ambassadors to the EU,
Dear Heads of Representation to the European Commission
Dear Members of the national governments,
Dear all,

Following up on the feedback from startups and SMEs, we, the undersigned startup organizations, national trade associations, community of SMEs and innovators, encourage you to ensure the AI Act (AIA) becomes more proportionate and balanced, so that startups and SMEs can develop and scale-up their innovations to businesses and consumers across the EU.

According to the [AI Act Impact Survey](#) conducted at the end of last year with 100+ startups and companies developing AI across Europe, we underline the following challenges to address, including:

1. Half of the startups confirm the assumed compliance would reflect in around 20% higher expenses;
2. The AI Act is considered to lead to less disruptive innovation and a shift towards smaller incremental ones;
3. The available VC funding for AI startups is likely to shrink under the AI Act and partially more towards startups outside the EU and non-AI technologies;
4. Startups developing high risk AI systems are less attractive to investors.

As per the [AI Act Impact Survey](#), the top five most welcomed types of support to startups and companies which they would like to see for meeting the requirements and obligations from the AI Act are:

- Sharing best practice methods and templates (e.g. guiding documents);
- Increased funding to cope with the additional efforts;
- Case studies of how other companies apply the AI Act;
- Consultation or coaching
- Technical tools to achieve compliance.

Following up on several discussions with startup associations, startup and SME representatives and AI companies from the CEE region and beyond, which took place recently, we would like to take the opportunity to highlight several key issues to tackle by the time the AI Act will be adopted.

We believe these principles would boost the innovation potential of European players:

High-risk AI systems clarifications

- Maintain the high-risk AI classification only for those systems that pose risky outcomes under all circumstances. The integration of purpose-free AI applications into the high-risk category from the beginning, regardless of their concrete use-cases, could undermine the entire rationale of the risk-based classification.

General purpose AI and Generative AI systems

- General purpose AI and generative AI systems should be properly regulated to allow open room for innovation and startups to grow. Make sure that the burden of compliance is not disproportionate for smaller businesses, given the strict requirements for GPAI and generative AI applications.
- Balance responsibilities of different actors in the AI value chain, including for the general purpose AI (GPAI) systems and downstream cycle of developers that use such systems for different purposes.

Implement feasible requirements

- Design a more suitable framework for easily accessing the facilities of the proposed regulatory sandboxes for startups, SMEs, innovators. Create a more clear process for AI startups and SMEs to understand the AI systems and entities allowed to participate in the regulatory sandboxes, the admission criteria, development phases, liability and experts' engagement. SMEs and startups require simpler rules and guidance for accessing the benefits of implementing regulatory sandboxes, as well as dedicated funding for accessing such tools.
- Ensure requirements are feasible and effective and make sure there is awareness of those requirements, so that companies should implement them from day one.
- Make sure that existing AI systems which have not been designed under the AIA and are on the market already, will be able to comply with the new requirements. Provide educational capabilities - stakeholders who will be responsible for implementing the AIA need to have enough capabilities to understand, comprehend and implement the regulations. These capabilities have to be built, so stakeholders understand and supervise the implementation of regulations and explain and guide the ecosystem players with good instructions, use-cases etc.

Facilitate all relevant stakeholders' involvement

- As AI is a fast-moving technology, we don't necessarily have all the required knowledge to legislate on all aspects of AI, therefore we need to raise awareness first - the awareness about AI, its potential, benefits, threats and risks, training data requirements etc. It would lower the gap between the comprehension and further implementation of AI technologies.
- Actively involve all stakeholders - public sector, startups, SMEs and innovators, academia, technical experts into the discussion. Engage stakeholders to work together and enhance the capabilities we have.
- Build partnerships to have a multi-stakeholder approach, engage international organizations, academia or scientific councils to set up minimum principles to be adopted by all.