Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio-navigation programmes

(presented by the Commission)
EXPLANATORY MEMORANDUM

CONTEXT OF THE PROPOSAL

Grounds for and objectives of the proposal

The purpose of this proposal is to amend Council Regulation (EC) No 1321/2004 to enable the European GNSS Supervisory Authority to complete the development phase of the Galileo programme after the Galileo Joint Undertaking is wound up.

General context

1) The Galileo programme

The aim of the Galileo programme is to put in place the first global satellite radionavigation and positioning infrastructure specifically designed for civilian purposes. There are technological, political and economic aspects to the programme.

The programme is divided into the following four successive phases:

a definition phase, which ran from 1999 to 2001, during which the system architecture was designed and the services to be offered were identified;

a development and validation phase, which was initially intended to run from 2002 to 2005 and includes the development of the system's satellites and earth components as well as validation in orbit;

a deployment phase, which was initially intended to cover 2006 and 2007, involving the construction and launching of satellites as well as the full establishment of the earth segment of the infrastructure;

an operating phase, which was initially intended to start in 2008 and which includes the management of the system as well as its regular maintenance and upgrading.

2) The Supervisory Authority

The European GNSS Supervisory Authority (the “Supervisory Authority”) was set up by Council Regulation (EC) No 1321/2004 of 12 July 2004 on the establishment of structures for the management of the European satellite radionavigation programmes. Its task is to ensure the management of public interests relating to the European satellite radionavigation programmes Egnos and Galileo, and to act as regulatory authority in this connection during the deployment and operational phases of the Galileo programme.

The tasks of the Supervisory Authority are laid down in Article 2 of Regulation (EC) No1321/2004. It is, in particular, the licensing authority vis-à-vis the private concession-holder for the system, with which it will conclude the concession contract. It should be noted that the two systems, Egnos and Galileo, will be owned by the Supervisory Authority and that their ownership will remain entirely public: only the management of the deployment and operation phases will be awarded to the concession-holder, for a period of about twenty years. In addition, under Article 3 of
the Regulation, the Supervisory Authority will be the owner of all the tangible and intangible assets which are transferred to it by the Galileo Joint Undertaking on completion of the development phase and which may be created or developed by the concession-holder during the deployment and operation phases.

The Supervisory Authority has been gradually established since the summer of 2005 and will become fully operational in the course of 2006.

3) The Galileo Joint Undertaking

The Galileo Joint Undertaking was set up by Council Regulation (EC) No 876/2002 of 21 May 2002, under Article 171 of the Treaty, to carry out the development phase and to prepare for the subsequent phases of the Galileo programme. Its founding members are the European Community and the European Space Agency.

The Galileo Joint Undertaking has two main tasks. Firstly, it directs and coordinates the necessary research and development activities. To this end, it has concluded an agreement with the European Space Agency, to which the carrying-out of these activities has been assigned. It also develops activities relating to the applications and services which Galileo may offer. Secondly, it manages the procedure for selecting the system's future concession-holder, which will be responsible for managing the deployment and operation phases, providing the necessary private capital and ensuring the commercial success of operation.

Existing provisions in the area of the proposal

1) The need to wind up the Galileo Joint Undertaking and transfer its activities to the Supervisory Authority before the completion of the development phase.

The Galileo Joint Undertaking was set up to implement the development phase, and its lifetime is based on the duration of that phase, which was initially intended to cover the years 2002 to 2005 inclusive. However, as the Galileo programme currently stands, the development phase will not be completed before the end of 2008, and the lifetime of the Joint Undertaking would in theory need to be extended accordingly, with the result that it would not cease its activities before the end of 2008, i.e. three years later than originally planned.

However, extending the lifetime of the Joint Undertaking beyond 2006 would be pointless and costly, as the Supervisory Authority is in a position to take over all the activities that are currently being carried out by the Joint Undertaking in the course of 2006 and subsequently complete them. It would be tantamount to an unjustified duplication of structures and costs, especially since the programme development phase will in all likelihood be more expensive than initially expected.

Before the end of 2006, the Supervisory Authority will have the necessary resources, in particular in terms of staff, to complete the tasks of the Joint Undertaking, namely to complete the development phase and prepare for the subsequent phases of the programme. To enable the Supervisory Authority to take over the activities of the Joint Undertaking in an optimum manner, it would be desirable for the two structures to co-exist for a few months and for the Supervisory Authority to be closely associated with the activities of the Joint Undertaking during this period. The latter has experience and
knowledge which it is essential to pass on to the Supervisory Authority, in particular for the negotiations concerning the concession contract, which must be continued and completed by the Joint Undertaking in 2006. Provision should therefore be made for the Galileo Joint Undertaking to cease its activities on 31 December 2006 and for the Supervisory Authority to gradually take over the Joint Undertaking’s activities in the course of 2006. The transfer of these activities will be completed by 31 December 2006.

Transferring the Joint Undertaking’s activities to the Supervisory Authority will have an impact on the Community budget for 2006, since the Supervisory Authority will have to perform extra tasks, in addition to those initially planned, in the course of that year. An increase in its budget should therefore be considered. The increase mainly concerns staff costs and staff-related costs arising from a recruitment drive.

More generally, the transfer of the Joint Undertaking’s activities to the Supervisory Authority will have only a minor effect on Community finances. It will be zero after 2006, since in 2007 and 2008 the Supervisory Authority will perform the tasks that the Joint Undertaking would have had to carry out anyway. Where 2006 is concerned, the increase to be provided for in the Supervisory Authority’s budget will be offset to a large extent by a reduction in the Joint Undertaking’s expenditure as and when its activities are taken over by the Supervisory Authority. The savings made by the Joint Undertaking in this way will form part of the assets transferred to the Supervisory Authority to finance the development phase.

2) The need to amend Regulation (EC) No 1321/2004 to ensure the continuity of the Galileo programme and the smooth transfer of the Galileo Joint Undertaking’s activities to the Supervisory Authority.

As already mentioned earlier, the Supervisory Authority was set up to oversee the deployment and operation phases of the Galileo programme, while the Galileo Joint Undertaking was set up to implement the development phase. This emerges, in particular, from recitals 5 and 6 of Regulation (EC) No 1321/2004. Consequently, the management of the development phase on behalf of the Joint Undertaking is not listed as one of the Supervisory Authority’s tasks in Article 2 of Regulation (EC) No 1321/2004.

Accordingly, to ensure the optimum completion of the development phase of the Galileo programme following the disbanding of the Galileo Joint Undertaking, i.e. after 31 December 2006, Article 2 should be amended to assign to the Supervisory Authority the tasks entrusted to the Galileo Joint Undertaking prior to its disbanding. These tasks are provided for in Articles 2, 3 and 4 of the Statutes of the Joint Undertaking annexed to Council Regulation (EC) No 876/2002. They include finalising technological developments relating to the system on the basis of an agreement to be concluded with the European Space Agency, supervising the implementation of the development phase, preparing the deployment and operation phases, and negotiating the concession contract. Provision should also be made for the possibility of the Administrative Board being responsible for the proceedings involved in winding up the Joint Undertaking after 31 December 2006 mentioned in Article 21 of the Undertaking’s Statutes, should the Supervisory Authority so decide.

In addition, the current wording of Article 2 does not explicitly mention research
activities. However, to define or promote future satellite radionavigation applications and prepare for the next generation of satellites, for example, the Supervisory Authority will need to undertake or finance a considerable amount of research during the programme development, deployment and operation phases. It should therefore be explicitly specified in Article 2 that the Supervisory Authority can carry out all research of benefit to the European GNSS programmes. This will make it possible, in particular, to cover activities carried out under the joint research and development programmes.

Consequently, the following two subparagraphs should be added to the current text of the Article 2(1) of Regulation (EC) No 1321/2004 which sets out the tasks of the Supervisory Authority:

“(k) with a view to the completion of the development phase of the Galileo programme, it shall take over, no later than the end of the lifetime of the Galileo Joint Undertaking, the tasks assigned to the latter by Articles 2, 3 and 4 of the Statutes of the Joint Undertaking annexed to Council Regulation (EC) No 876/2002. It shall, where appropriate and acting in accordance with a decision by the Administrative Board of the Galileo Joint Undertaking, attend to the proceedings involved in winding up the Joint Undertaking after 31 December 2006;

(l) it shall carry out all research of benefit to the development and promotion of the European GNSS programmes.”

Unless these amendments are made, there would be legal uncertainty regarding the continuity of the programme, since the Supervisory Authority has no legal basis for taking over most of the activities currently being carried out by the Joint Undertaking or for carrying out the research needed.

Moreover, the current wording of the first paragraph of Article 3 of Council Regulation (EC) No 1321/2004 is as follows: “The Authority shall be the owner of all the tangible and intangible assets which are transferred to it by the Galileo Joint Undertaking on completion of the development phase.” This means that the Authority could not assume ownership of the system until the end of the development phase, i.e. at the end of 2008 at the earliest, which is much later than the probable date of signature of the concession contract. In order to bring that Article into line with the abovementioned amendments to the Regulation, the provisions in question need to be amended to enable the Supervisory Authority, after the disbanding of the Galileo Joint Undertaking, to assume ownership of the tangible and intangible assets created or developed both before its disbanding and during the development phase after its disbanding.

In addition, to avoid any risk of differences of interpretation, the current provisions of the first paragraph of Article 3 should be amended in two respects. It is necessary to specify that tangible and intangible assets created or developed by the concession-holder during the deployment and operation phases include those created or developed by its subcontractors or by undertakings under its control or by their subcontractors.

Likewise, it should be specified that the ownership of assets covers manufacturer’s and trade-mark rights and all other intellectual property rights as defined in Article 1(1) of Regulation (EC) No 772/2004.
Article 3(1) should therefore be replaced by the following text:

“1. From the end of the lifetime of the Galileo Joint Undertaking, the Authority shall be the owner of all the tangible and intangible assets created or developed during the entire development phase, including those owned by the Galileo Joint Undertaking in accordance with Article 6 of its Statutes and those created or developed by the European Space Agency and by entities given responsibility by the latter or by the Galileo Joint Undertaking for activities for the development of the programme.

The Authority shall be the owner of all the tangible and intangible assets created or developed by the concession-holder during the deployment and operation phases, including those created or developed by its subcontractors or by undertakings under its control or by their subcontractors.

Ownership rights shall cover all intellectual property rights within the meaning of Article 1(1) of Regulation (EC) No 772/2004, and in particular manufacturer’s and trade-mark rights.”

Consistency with other EU policies and objectives

Not applicable.

CONSULTATION OF INTERESTED PARTIES AND IMPACT ANALYSIS

Consultation of interested parties

Not applicable

Collection and use of expertise

No recourse to external expertise was necessary.

Impact analysis

There is no solution other than to amend the Regulation in order to achieve the desired result.

The impact of the activities of the Galileo Joint Undertaking being taken over by the Supervisory Authority is low since the activities would have been carried out anyway.

LEGAL ASPECTS OF THE PROPOSAL

Summary of the proposed measures

The Galileo Joint Undertaking should be wound up on 31 December 2006 and its activities transferred to the Supervisory Authority. To this end, it is necessary to amend Council Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radionavigation programmes.

Legal basis

Article 308 of the Treaty.
Subsidiarity principle

The proposal concerns an area that falls within the Community’s exclusive responsibility. The principle of subsidiarity does not therefore apply.

Proportionality principle

The proposal complies with the principle of proportionality, for the following reasons:

The proposed amendments do not go beyond what is necessary.

They do not involve an increase in the financial burden since the additional expenditure to be borne by the Supervisory Authority would have been borne by the Galileo Joint Undertaking anyway.

Choice of instruments

Proposed instrument: Regulation

Other instruments would not have been appropriate, for the following reasons:

Only a regulation can amend a regulation.

Budgetary implications

The proposal will result in an increase in the Supervisory Authority’s budget until the completion of the development phase of the Galileo programme.

Additional information

Repeal of existing legislative provisions

The adoption of this proposal will mean that some legislative provisions must be repealed.

Review/revision/sunset clause

The proposal includes a sunset clause in respect of all or part of the legislative act if predefined conditions are met.
Proposal for a

COUNCIL REGULATION

amending Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio-navigation programmes

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission\(^1\),

Having regard to the opinion of the European Parliament\(^2\),

Whereas:

(1) The European GNSS Supervisory Authority, hereinafter “the Authority”, was set up by Council Regulation (EC) No 1321/2004\(^3\), to ensure the management of public interests relating to the European GNSS programmes and to act as regulatory authority in this connection during the deployment and operational phases of the Galileo programme.

(2) The tasks of the Authority are laid down in Article 2 of Regulation No 1321/2004.

(3) The Galileo Joint Undertaking was set up by Council Regulation (EC) No 876/2002\(^4\) to complete the development phase and prepare for the following phases of the Galileo programme. As the Galileo programme currently stands, the development phase will not be completed before the end of 2008.

(4) Since the Authority is in a position to take over all the activities currently being carried out by the Galileo Joint Undertaking in the course of 2006 and subsequently complete them, extending the lifetime of the Joint Undertaking beyond 2006 would be pointless and costly. It is therefore appropriate to wind up the Galileo Joint Undertaking and transfer its activities to the Authority before the completion of the development phase.

(5) However, taking over the management of the development phase from the Galileo Joint Undertaking is not listed as one of the Authority’s tasks in Article 2 of Regulation (EC) No 1321/2004. Nor does that Article mention research activities or

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\(^1\) OJ C [...], [...], p. [...].

\(^2\) OJ C [...], [...], p. [...].


work that the Authority may be called upon to carry out or finance during the development, deployment and operation phases of the programme.

(6) Consequently, in order to ensure the continuity of the Galileo programme and the smooth transfer of the activities of the Galileo Joint Undertaking to the Authority, the wording of Article 2 of Regulation (EC) No 1321/2004 should be amended. It is appropriate to assign explicitly to the Authority the tasks entrusted to the Galileo Joint Undertaking prior to its disbanding, together with the task of attending, where appropriate and acting in accordance with a decision by the Administrative Board of the Galileo Joint Undertaking, to the proceedings involved in winding up the Joint Undertaking after 31 December 2006. It is also necessary to entrust the Authority with the task of carrying out all research of benefit to the European GNSS programmes.

(7) Moreover, for the sake of consistency, provision should be made for the Authority to assume ownership of the tangible and intangible assets held by the Galileo Joint Undertaking at the time of its disbanding, rather than at the end of the development phase. Provision should also be made for it to assume ownership of the tangible and intangible assets created or developed during the development phase after the disbanding of the Joint Undertaking.

(8) In addition, to avoid any risk of differences of interpretation as to the scope of Regulation (EC) No 1321/2004, it is also necessary to specify that tangible and intangible assets created or developed by the concession-holder during the deployment and operation phases include those created or developed by its subcontractors or by undertakings under its control or by their subcontractors. It should also be specified that the ownership of assets covers trade mark rights and all other intellectual property rights within the meaning of Article 1(1) of Commission Regulation (EC) No 772/2004 of 27 April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements5.

(9) Regulation (EC) No 1321/2004 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1321/2004 is amended as follows:

(1) In Article 2(1), the following points (k) and (l) are added:

“(k) with a view to the completion of the development phase of the Galileo programme, it shall take over, no later than the end of the lifetime of the Galileo Joint Undertaking, the tasks assigned to the latter by Articles 2, 3 and 4 of the Statutes of the Joint Undertaking annexed to Council Regulation (EC) No 876/2002(*) It shall, where appropriate and acting in accordance with a decision by the Administrative Board of the Galileo Joint Undertaking, attend to the proceedings involved in winding up the Joint Undertaking after 31 December 2006;

5 OJ L 123, 27.4.2004, p. 11.
(1) it shall carry out all research of benefit to the development and promotion of the European GNSS programmes.


(2) In Article 3, paragraph 1 is replaced by the following:

“1. From the end of the lifetime of the Galileo Joint Undertaking, as referred to in Article 20 of its Statutes, the Authority shall be the owner of all the tangible and intangible assets created or developed during the entire development phase, including those owned by the Galileo Joint Undertaking in accordance with Article 6 of its Statutes and those created or developed by the European Space Agency and by entities given responsibility by the latter or by the Galileo Joint Undertaking for activities for the development of the programme.

The Authority shall be the owner of all the tangible and intangible assets created or developed by the concession-holder during the deployment and operation phases, including those created or developed by its subcontractors or by undertakings under its control or by their subcontractors.

Ownership rights shall cover all intellectual property rights within the meaning of Article 1(1) of Commission Regulation (EC) No 772/2004(1), and in particular trade mark rights.

(*) OJ L 123, 27.4.2004, p. 11.”

Article 2

This Regulation shall enter into force on the [twentieth] day [following that] of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, […]

For the Council
The President
[…]
LEGISLATIVE FINANCIAL STATEMENT

Policy area(s): ENERGY AND TRANSPORT
Activity(ies): Development and validation phase of the Galileo programme

TITLE OF ACTION: PROPOSAL FOR A COUNCIL REGULATION AMENDING REGULATION (EC) NO 1321/2004 ON THE ESTABLISHMENT OF STRUCTURES FOR THE MANAGEMENT OF THE EUROPEAN SATELLITE RADIO-NAVIGATION PROGRAMMES

1. BUDGET LINE(S) + HEADING(S)

060209/01
060209/02

2. OVERALL FIGURES

2.1. Budget for action: EUR 82 million

2.2. Period of application:

The action will have an unlimited duration (annual contribution).

2.3. Multiannual estimate of expenditure:

a) Schedule of commitment appropriations/payment appropriations (financial intervention) in EUR million

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Following year</th>
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</thead>
<tbody>
<tr>
<td>Commitment appropriations</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>token entry</td>
</tr>
<tr>
<td>Payment appropriations</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>token entry</td>
</tr>
</tbody>
</table>

2.4. Compatibility with financial programming and financial perspective

x Proposal compatible with existing financial programming
2.5. Financial impact on revenue

x No financial implications

3. BUDGET CHARACTERISTICS

<table>
<thead>
<tr>
<th>Type of expenditure</th>
<th>New</th>
<th>EFTA contribution</th>
<th>Contributions from candidate countries</th>
<th>FP heading</th>
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</thead>
<tbody>
<tr>
<td>NCE</td>
<td>DA</td>
<td>NO</td>
<td>NO</td>
<td>No 3</td>
</tr>
</tbody>
</table>

4. LEGAL BASIS


5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

To ensure the continuity of the Galileo programme and the smooth transfer of the Galileo Joint Undertaking’s activities to the Supervisory Authority, it is necessary to amend Regulation (EC) No 1321/2004 by which the Supervisory Authority was set up.

5.1.2. Measures taken in connection with ex ante evaluation

The proposal is the outcome of numerous discussions and has been endorsed by all the parties concerned by the Galileo programme (Administrative Boards of the Joint Undertaking and the Supervisory Authority).

5.2. Actions envisaged and budget intervention arrangements

Where the budget is concerned, transferring the Galileo Joint Undertaking’s activities to the Supervisory Authority will mainly have have an impact on the Supervisory Authority’s operating costs, since it will have to perform extra tasks in 2006 and subsequent years. An increase in its budget is therefore envisaged.

5.3. Implementation arrangements

The Supervisory Authority’s legal status allows it to act as a legal person in the performance of its tasks, which it will carry out in accordance with the rules and procedures provided for in the Regulation setting it up.
6. FINANCIAL IMPACT

6.1. Method of calculating the total cost of the action (To be determined by DG BUDG and DG ADMIN)

The annual costs of the Supervisory Authority will be covered by Community grants. The different types of expenditure are as follows:

**Personnel costs**

The proposed budget corresponds to a staff of 45 who will be recruited gradually between 2006 and 2009. By the end of 2006, the Supervisory Authority will have a staff of 39. This estimate is based on a comparison with the Galileo Joint Undertaking.

The estimate of personnel costs is based on the annual costs for categories A*14, A*13, A*11, A*10, A*9, A*8, A*7, A*6, B*6, B*3, C*5, and C*2; The high number of A grade staff reflects the high level of scientific competence needed by the Authority to perform its tasks properly.

### TABLE Estimate of human resources

<table>
<thead>
<tr>
<th>GRADES</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>TOTAL</th>
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<td><strong>Director of the Supervisory Authority</strong></td>
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<td></td>
<td></td>
<td>1</td>
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<tr>
<td><strong>Scientific staff</strong></td>
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<td></td>
<td></td>
<td>37</td>
</tr>
<tr>
<td><strong>Administrative staff</strong></td>
<td></td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>38</td>
<td>2</td>
<td>5</td>
<td>45</td>
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</table>

The total annual personnel costs are estimated by taking as the average cost that of European Commission staff, i.e. EUR 0.108 million per annum. This cost does not include costs arising from recruitment, buildings and related administrative costs.

**Equipment costs**

The costs arising from the acquisition of movable property and related costs and the purchase of computer equipment are estimated at EUR 600 000 for 2006. A provision of EUR 200 000/year is earmarked to cover additional needs.

**Operating costs**

These costs cover meetings, studies and expenses arising from translation, publication and public relations. The preliminary estimate of operating costs is as follows: EUR 3.2 million

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6 As temporary staff, in accordance with the rules applicable to Commission staff.

Mission costs

In order to discharge its tasks, the Supervisory Authority will need to organise trips both inside and outside the EU (transport and accommodation costs). The mission expenses budget is estimated at EUR 200 000 per annum for the first three years and EUR 300 000 per annum for the subsequent years. These estimates are based on actual average costs in respect of mission expenses at DG TREN.

6.2. Itemised breakdown of cost of action

<table>
<thead>
<tr>
<th>Breakdown/categories</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<th>2011</th>
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<th>2013</th>
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<td>4.200.000</td>
<td>4.200.000</td>
<td>4.800.000</td>
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<td>Indirect personnel-related costs</td>
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<td>300.000</td>
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<td>Operating costs</td>
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6.3. Schedule of commitment appropriations/payment appropriations

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<td>12</td>
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in EUR million
7. MONITORING AND EVALUATION

7.1 Monitoring arrangements

Article 14 concerns the checks on the management of the funds entrusted to the Supervisory Authority to be carried out by the Commission’s internal auditor, the European Anti-Fraud Office (OLAF) and the Court of Auditors.

7.2 Arrangements and schedule for the planned evaluation

Article 5 sets up the Supervisory Authority’s Administrative Board which carries out the tasks listed in Article 6, in particular concerning:

– the annual work programme,
– the annual budget, and
– the financial rules.

8. FRAUD PREVENTION MEASURES

See point 7.1 above.