**ANNUAL DEVELOPMENT PROGRAMME (ADP)**

Provision for development expenditure is included in the budget on the basis of the Annual Development Program prepared by the Planning Commission in consultation with the Ministry of Finance and the Provincial Governments and approved by the National Economic Council.

The Formulation of the Annual Development Program is one of the most important aspects of the budget making. Emphasis is laid on drawing-up the Annual Development Program so that only approved projects, which go through careful technical scrutiny in the Development Working Party and approved by the Executive Committee of the National Economic Council, or have otherwise received the approval of the competent authority, are included in the Annual Development Program. The Program, as finally approved by the National Economic Council, is reflected in the budget.

The exercise for the preparation of the Annual Development Program starts sometime in early November when keeping in view the overall requirements of the economy and plan targets, the size of the Annual Development Program is fixed and communicated sector-wise to the executing agencies and the Provincial Governments by the Planning Commission. Within the overall allocations so intimated by the Planning Commission, the detailed sector-wise development programs are formulated by the sponsoring agencies and finalized after detailed discussion with the Planning Commission. These allocations are then discussed and finalized in the meetings of the Priorities Committee in March / April, in April / May by the Annual Plan Coordination Committee and finally by the National Economic Council. The Annual Development Program, as finally approved and incorporated in the budget, presents the blue print for action by the Federal and Provincial Government and indicates the financial allocations along with physical targets in respect of various development schemes.

Resources Estimates: Since the successful implementation of the Annual Development Program as an instrument of economic development largely depends upon the availability of resources, the determination of the size of the program is preceded by a detailed exercise in resource estimation. Ministry of Finance undertakes this exercise in coordination with the concerned Government agencies, particularly the Central Board of Revenue (CBR) and the Provincial Finance Departments. The components of resource estimates are:

1. **Public Savings**, i.e. the excess of revenue receipt over current expenditure of the Federal and Provincial Government. (ii) Net capital receipts of the Federation and the Provinces.(i.e. Recovery of loans, saving schemes and prize bond proceeds etc) (iii) The Federal Government's estimates of: a) Foreign economic assistance b) Deficit financing (Bank Borrowing) to the extent the latter is warranted by the state of the economy.

As the development outlays in the provincial field are increasing and the provincial resources for this purpose are not adequate, the Federal Government render financial assistance to the Provincial Governments on a larger scale for implementation of their development program.

b) **Foreign Exchange Component** of ADP Side by side with the finalization of the Annual Development Program, endeavor is made to estimate the foreign exchange component of the program as realistically as possible. The expenditure in foreign exchange is shown separately from the expenditure in local currency, both in the revenue and capital budget. This also serves as an indication to the administrative authorities that the budgetary allocation for foreign exchange expenditure is not available for expenditure in local currency.