**Plan Formulation**

Plan formulation is an iterative process that establishes planning objectives, evaluates management measures that address these objectives, develops potential alternatives that meet objectives, screens out plan based on comparison criteria, and identifies plan for implementation.

4 Ms are required in plan formulation that’s are;

1. Men
2. Money
3. Machinery
4. Management

**The process of Plan formulation**

1. **Broad Objectives and Targets Setting**

The initial step in plan formulation is that of determining broad objectives and targets. The socio-economic objectives, thus, determined, indicate the direction in which the economy is planned to move. The identification of broad goals and objectives in a plan is followed by the spelling out of general physical targets for the various sectors of the economy. This ultimately becomes the basis for determining the shape and size of annual plans.

1. **Survey current economic condition**

Next step is to take stock of existing condition in the context of the plan perspective. Such as the identification of area where more concentrated efforts are needed for the overall growth of the economy.

1. **Strategy**

After the identification of the current economic condition next step is to adopt a strategy which ensures the successful implementation of a plan. The strategy refers to the method or methods to achieve the plan objectives and targets.

1. **Determining the plan size**

Next step is to fix the size of a plan so as to arrive at the total investment outlay. For this purpose, planners use the capital output ratio or the capital coefficient as a tool. This ratio determines the capital needed to achieve a given unit of increase in the national income.

1. **Financing of Plan- public and private sector**

Having determining the total size of a plan, the step is to find ways and means of financing it through the public and private sectors. In mixed economy the distribution of total investment between public and private sectors is indicative of the efforts needed on the part of government and the private enterprise to crystallize the objective/targets in a plan. The instruments of planning are;

1. Direct Public Expenditure
2. Direction of resources
3. Sources of financing
4. **Sect oral programs**

Fixing of broad physical targets for the various sectors of the economy leads to the preparation of detailed sect oral programs on the basis of plan priorities. A proper balance among various major parts of the plan is essential. The plan should have consistency and efficiency.

1. **Mobilization of Resources**

The success of any plan depends on the mobilization of the resources both in terms of man and material. Therefore, a plan should specifically identify as to how the required resources will be mobilized to implement the plan objective and targets.

1. **Plan Execution**

Finally, the machinery to extend the plan at different levels needs to be spelt out. This would clearly indicate the handling of different development activities emanating from the plan by number of organization/agencies, mainly in the public sector.