the dynamism of this sector is therefore a critical determinant of overall economic performance. Planning in this environment has to be based on the assumption that decisions in individual firms and farms have to be left to individual entrepreneurs and farmers. The government can play a role in encouraging investment to flow in directions suggested by indicative planning but it cannot expect to direct this flow through direct controls.

The instruments through which some direction is possible include fiscal incentives, special treatment in the matter of credit from the banking system, access to external commercial borrowing which is still controlled, and occasionally special support in providing common infrastructure. Equally important is the need to remove impediments to private investment. While the most obvious impediments in the shape of investment licensing requirements were removed long ago, there are many other impediments which need to be tackled, many of which are at the level of states.

While much of the approach to the private sector is guided by the presumption that the best results are obtained by leaving the private sector to function in a competitive environment, this is not a sufficient response since the activities of the private sector are not necessarily limited to areas where competitive markets prevail or can even be created in principle. For example, there is a potentially large role for private investment in infrastructure development. However, these sectors also have the nature of a limited monopoly and wherever this happens, it is necessary to evolve a policy framework which balances the private sector's need for entrepreneurial freedom and the potential to earn reasonable profits with the consumer's need to be protected from monopolistic pricing and slippages in quality.

It is evident from the above that planning for the private sector is more in the nature of 'policy planning' and not planning by direction. This process cannot be made the exclusive responsibility of a single planning agency. Policies pertaining to individual sectors where the private sector plays an important role have to be developed through interaction with many stakeholders. Producer representatives, consumer groups, the ministry concerned, the Finance Ministry, the Planning Commission and the Law Ministry all play a role. Inter-ministerial interaction, rather than hierarchical, top down planning is what is needed to convert indicative plans into policy initiatives.

One reason why the need for planning is questioned in today's environment is the belief that planning must be limited to government decisions and liberalization should involve a drastic reduction in the role of government. This is, however, a simplistic notion since the size of the government measured by the share of government expenditure in GDP, is much larger in the OECD countries than it is in India, once social security expenditure is included, as it must be. Reformers in India as elsewhere have repeatedly emphasized that economic reforms do not imply that the role of the government must be reduced, but only that it must be restructured. The responsibility for planning and monitoring the performance of government in its restructured form remains large.

It is a common complaint that plans provide resources, but implementation at the ground level is very poor. There are two possible reasons for this. One is that the intervention itself is not designed to achieve its results and the other is that the service providers at the ground level are not accountable to the local community. Both are planning problems.

The issue of programme design is extremely important as we shift into areas such as education and health where there are considerable differences of view on how a particular objective can be best achieved and the end result is not immediately measurable.

Subjecting government programmes to scientifically based evaluation should be a mandatory part of policy planning and a prerequisite for continued funding. We need to measure

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