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Policy Brief:
Recommendations for Improved NSB Utilisation

Elementary & Secondary Education Department, Khyber Pakhtunkhwa (E& SED KP):

Key Findings and Recommendations from Non-Salary Budget (NSB) E&SED KP

B-TAG – Policy Brief **Feb 2026**

Executive Dashboard

1. Real Purchasing Power

•**Signal:** 🔴 Deteriorating

Real NSB purchasing power **down 30–60%** since FY2019

Nominal growth **does not translate** into school functionality

Inflation is now a **binding constraint**, not marginal noise

2. Budget Credibility

Signal: 🟠 Weak at approval, strong after reset

Large BE → Final compressions (FY2020, FY2022)

Once ceilings are credible and cash is released, **execution >90%a**

3. Cash Release Predictability

Signal: 🔴 Structural bottleneck

Zero/low releases for large provincial NSB lines

FY2022 = systemic shock; FY2025 = emerging risk (in-year)

4. Service Delivery Risk

Signal: 🟠 High volatility

District NSB = small, volatile, unpredictable

Provincial support (grants, training, monitoring) delayed

Summary Assessment of Non-Salary Budget Dynamics

NSB Component	Planning Credibility	Cash Predictability	Real Trend	Executive Takeaway
Development	🔴 Weak (over-programmed)	🟠 Improves after reset	🔴 Declining	Portfolio too large for fiscal space
District NSB	🔴 Under-budgeted	🔴 Volatile	🔴 Declining	Schools lack stable O&M financing
Provincial NSB	🟠 Policy-aligned	🔴 Centralised / parked	🔴 Declining	Support functions delayed

Why Reform of the Non-Salary Budget Framework Matters

KP's non-salary education budget is policy-aligned but system-constrained. The core problem is not spending capacity, but over-programming, weak cash release discipline, and inflation erosion. Without credible ceilings, predictable releases, and inflation protection, even growing budgets will continue to deliver shrinking school functionality.

Context

Elementary & Secondary School education, particularly at the primary level, has long been a stated priority for the Government of Khyber Pakhtunkhwa, reflecting its central role in human capital development and social equity. Over the past decade, the province has made substantial investments to expand access, increase enrolment, and reduce dropouts. However, persistent gaps remain at the school level: many schools still lack basic facilities, learning environments vary widely across districts, and student retention beyond early grades remains weak; especially in remote and newly merged areas.

In this setting, the non-salary education budget is the government's most direct instrument for converting policy intent into functional schooling. Encompassing the development budget, district-level non-salary school allocations, and the provincial current non-salary budget, this envelope finances the inputs that determine whether schools actually function—missing facilities, rehabilitation and upgradation works, learning materials, utilities, maintenance, and routine operations. The effectiveness of these resources is therefore central to improving school readiness, sustaining enrolment gains, and reducing dropouts at the primary level.

Yet, the performance of the non-salary budget is shaped less by its headline size and more by how credibly it is planned, predictably it is released, and adequately it is protected in real terms. Over-programming at the approval stage, frequent in-year revisions, and unpredictable cash releases weaken planning discipline and disrupt execution, while high inflation has steadily eroded the real purchasing power of non-salary allocations. As a result, even when budgets appear to grow in nominal terms, they increasingly fund fewer facilities, fewer repairs, and fewer school-level inputs. Addressing these structural weaknesses in the management of non-salary funds is therefore essential to ensure that education spending in KP translates into tangible improvements in school functionality, learning conditions, and value for money.

Methodology

This brief analyses, the Non-Salary Budget (NSB) of the Khyber Pakhtunkhwa Elementary & Secondary Education Department (E&SED) by treating it as a single, integrated envelope comprising three core components: the development budget, the district-level non-salary school budget, and the provincial current non-salary budget. The analysis draws on detailed budget execution data to examine how resources are allocated, revised, released, and spent across these components, with a specific focus on Primary and Secondary education. By tracing the full budget chain; from Budget

Estimates to final grants, cash releases, and actual expenditure, the methodology is designed to diagnose three core structural issues: over-programming at the approval stage, cash-flow unpredictability during the year, and the extent to which approved allocations translate into operational funding for school functionality.

The analysis compares original budgets published in the budget books with in-year revisions, supplementary allocations, re-appropriations, releases, and actual expenditure to assess budget credibility, execution performance, and volatility. This approach highlights how stated education policy priorities translate—or fail to translate—into effective financing for missing facilities, rehabilitation and upgradation works, learning materials, utilities, and other non-salary inputs critical for enrolment, retention, and school functionality.

To assess trends and policy direction over time, the brief applies a set of complementary analytical tools. Compound Annual Growth Rate (CAGR) and Average Annual Growth Rate (AAGR) are used to distinguish between long-term structural changes in NSB allocations and short-term year-to-year volatility, with all major trends assessed in both nominal and inflation-adjusted (real) terms to capture changes in purchasing power. Execution diagnostics, covering spending against original budgets, revised budgets, and releases are combined with volatility indicators (supplementaries, re-appropriations, and surrenders) and year-wise shifts between Primary and Secondary spending.

Project-level analysis is also used to examine the structure and fragmentation of the development portfolio, including the distribution of resources across large and small schemes, concentration of funding, and the prevalence of projects operating below viable funding thresholds. FY2025 data are treated explicitly as in-year and interpreted separately from full-year trends to avoid misrepresenting structural performance. Together, these tools provide a clear picture of departmental priorities as revealed through budget behaviour—not just policy statements—allowing the brief to assess how NSB decisions align with, or diverge from, the government's stated objectives on school infrastructure, quality inputs, and reducing dropouts across Khyber Pakhtunkhwa.

Inherent Limitations for FY 2025-26 – Current Year Analysis

FY 2025–26 represents an in-year position rather than a completed fiscal outcome. Expenditure figures reported for the current year reflect partial execution as of the cut-off date and are therefore not comparable with full-year expenditure in prior years. Lower spending in FY 2025–26 should not be interpreted as a decline in absorptive capacity or budgetary commitment; instead, it largely captures timing effects related to cash releases, procurement cycles, and administrative processing that typically accelerate in the second half of the fiscal year. As such, FY 2025–26 data are used in this brief to highlight emerging cash-flow and execution risks rather than to assess annual performance or long-term trends.

Why Non-Salary Budgets Matter for Elementary & Secondary Education in KP

Box 1. Key questions answered by the Non-Salary Budget (NSB) analysis

i. How large is the non-salary envelope for school education, and how is it structured across development, district-level non-salary, and provincial current budgets?

ii. To what extent do approved non-salary budgets reflect realistic fiscal space, or indicate over-programming through large in-year revisions and compressions?

iii. How predictable are cash releases for non-salary budgets, and how do release patterns affect actual expenditure and service delivery at provincial and district levels?

iv. Is non-salary spending increasing in real (inflation-adjusted) terms, or is rising inflation eroding the purchasing power of school-level inputs despite nominal growth? bottlenecks?

v. How fragmented is the non-salary development portfolio, and how much of the budget is concentrated in a small number of large projects versus spread across sub-viable schemes?

Elementary & Secondary Education in KP, especially at the primary level, has long been a priority for the Government of Khyber Pakhtunkhwa, reflecting its central role in human capital development and social equity. The province has expanded access and improved enrolment, yet core challenges persist: many schools still lack basic facilities, learning environments remain uneven, and student retention beyond early grades is weak, patterns also observed across South Asia, where access gains have not consistently translated into quality and completion.

In this context, the non-salary education budget is the government's most effective policy lever for converting enrolment gains into functional schooling. Covering the development budget, district non-salary school allocations, and the provincial current non-salary budget, this envelope finances the inputs that directly determine whether schools' function, missing facilities, rehabilitation, learning materials, utilities, and day-to-day operations. International experience from South Asian peers shows that systems which protect and effectively execute non-salary budgets are better positioned to improve school readiness, reduce dropouts, and sustain learning outcomes.

However, the impact of non-salary spending depends not only on allocations, but on how credibly budgets are programmed, how predictably cash is released, and how well real purchasing power is protected. In KP, frequent in-year adjustments, uneven cash releases, and high inflation have weakened the effectiveness of non-salary resources, meaning that even when nominal budgets increase, they often finance fewer facilities and fewer school-level inputs. Strengthening the planning, release, and real-term protection of the non-salary budget is therefore essential to ensure that education spending translates into tangible improvements in school functionality, retention, and value for money.

NSB for KP: Summary results

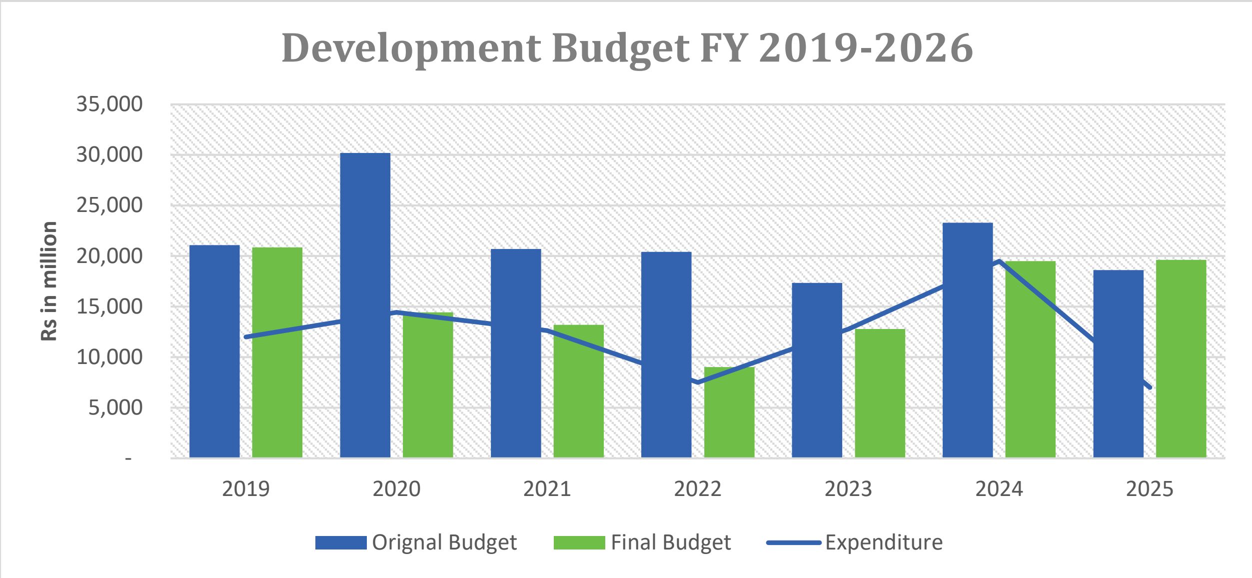
- **Real resources for school functionality are shrinking despite headline growth.**
Non-salary budgets show periods of strong nominal expansion, but high inflation has sharply eroded their real value. By FY2024, the purchasing power of non-salary funding across development, district, and provincial budgets is **30–60% lower than earlier years**, directly constraining maintenance, learning materials, utilities, and school operations.
- **Budget credibility is the core system weakness, not the ability to spend.**
Large and recurring gaps between Budget Estimates, Final Grants, releases, and expenditure—especially in FY2020 and FY2022—undermine planning and execution. Where revised ceilings and cash releases are timely and credible, execution rates are generally high, confirming that **cash predictability, not absorptive capacity, is the binding constraint**.
- **FY2022 marks a systemic non-salary financing shock with lasting effects.**
A sharp collapse in non-salary releases and expenditure across all budget components created acute service-delivery risks for schools. The subsequent rebound reflects catch-up spending rather than structural improvement, reinforcing a pattern of **stop-go financing** rather than stable support for school functionality.
- **Provincial non-salary budgets are over-centralised and weakly translated into services.**
Large allocations remain parked in central provisions, grants, monitoring units, and reform programs with **zero or very low releases and execution**. This disconnect between approved budgets and cash flow weakens oversight, teacher support, and system-level functions critical for improving education quality.
- **District non-salary budgets remain too small, volatile, and unpredictable to sustain schools.**
Non-salary spending at district level is a marginal share of total education expenditure and fluctuates sharply year-to-year. Even in recovery years, real spending remains below earlier peaks, limiting schools' ability to maintain facilities, support teaching, and retain students—especially at the primary level.

Development Budget & Releases FY 2019-2026

PKR in Million

Allocation	2019	2020	2021	2022	2023	2024	2025
Budget Estimates	21,066	30,203	20,691	20,406	17,348	23,283	18,615
Final Budget	20,856	14,440	13,201	9,036	12,805	19,495	19,615
Revised Budget	11,995	14,432	12,633	7,516	12,805	19,495	7,005

Expenditure	11,684	14,011	12,326	7,298	11,904	18,599	3,749



- Budget credibility, not spending capacity is the core structural weakness.
  Over FY2019–FY2024, the Final Budget is repeatedly compressed relative to Budget Estimates, indicating systematic over-programming at the approval stage and/or later reprioritisation driven by cash constraints. The largest mid-year resets occurred in FY2020 (BE 30,203 → Final 14,440; −52%) and FY2022 (BE 20,406 → Final 9,036; −56%), weakening planning discipline and predictability for development schemes.

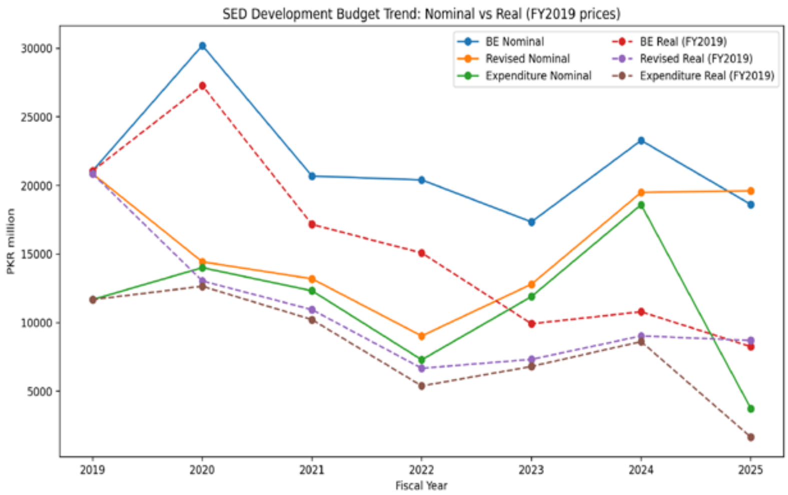
- Once the final ceiling is credible and cash is released, execution is relatively strong, but not perfect.
  Expenditure generally reaches around 90–97% of the Final Budget in years with timely releases (FY2020, FY2021, FY2023, and FY2024), confirming that absorptive capacity exists when funding is predictable. FY2022 (81% execution) stands out as the main breakdown year, reflecting acute cash-flow stress rather than implementation weakness.
- FY2019 is the main full-year signal of implementation slippage.
  In FY2019, only 56% of the Final Budget was spent (11,684 of 20,856), pointing to pipeline readiness issues or late releases in that year. Importantly, this under-execution is not repeated consistently in later years, reinforcing that the dominant constraint is budget credibility and cash-flow management rather than chronic inability to spend.
- FY2025–26 should be interpreted strictly as an in-year cash-flow signal, not performance.
  As a current-year position, expenditure remains low relative to the Final Budget due to partial releases and timing effects, and should not be read as a decline in development capacity or commitment.

Deep Dive questions for E&SED Development Budget (KP)

Allocation	2019	2020	2021	2022	2023	2024	2025
Original YoY % (BE)	—	43.38	(31.49)	(1.38)	(14.98)	34.21	(20.05)
Final YoY %	—	(30.76)	(8.58)	(31.55)	41.70	52.25	0.62
Revision % (Final vs BE)	(1)	(52)	(36)	(56)	(26)	(16)	5
Execution rate (% of Final)	56	97	93	81	93	95	19
Deflator (FY2019=100)	100	110.7	120.55	135.26	174.76	215.65	225.35
BE – Nominal	21,066	30,203	20,691	20,406	17,348	23,283	18,615
BE – Real (FY2019)	21,066	27,284	17,164	15,086	9,927	10,797	8,260
Final – Nominal	20,856	14,440	13,201	9,036	12,805	19,495	19,615
Final – Real (FY2019)	20,856	13,045	10,951	6,681	7,327	9,040	8,704
Expenditure – Nominal	11,684	14,011	12,326	7,298	11,904	18,599	3,749
Expenditure – Real (FY2019)	11,684	12,657	10,225	5,396	6,812	8,625	1,664

Trend Analysis (FY2019–FY2024 full-year trend; FY2025 in-year signal)

- **Real purchasing power is eroding despite headline movements.** The deflator rises from **100 (FY2019)** to **215.65 (FY2024)** (and **225.35 in FY2025),** meaning the same nominal budget buys far fewer school improvements over time.
- **Budget Estimates are volatile in nominal terms but collapse in real terms.** Nominal BE fluctuates (**21,066 → 23,283 PKR mn** from FY2019 to FY2024), but real BE falls sharply (**21,066 → 10,797 PKR mn**), indicating a sustained loss of purchasing power.



- **Over-programming is visible through repeated in-year compressions.** Final budgets are consistently below BEs, with large revision cuts in **FY2020 (−52%)** and **FY2022 (−56%)**, showing that the budget book envelope is not credible at approval stage and is repeatedly reset mid-year.
- **The 'spendable' ceiling also weakens in real terms.** Final budget in real FY2019 prices declines from **20,856 (FY2019)** to **9,040 (FY2024),** shrinking the real envelope available for missing facilities and rehabilitation.
- **Execution is generally strong once ceilings are credible and funded, supporting the message that credibility/cash-flow matters more than capacity.** In most full years, expenditure reaches a high share of the final ceiling (around the low-to-mid 90s), with **FY2022** the key breakdown year.

- **Volatility dominates year-on-year signals.** BE YoY swings widely (+43.38% in FY2020, then multiple negative years, then +34.21% in FY2024), while Final YoY shows sharp drops then rebounds (−30.76%, −8.58%, −31.55%, then +41.70% and +52.25%), reflecting mid-year resets rather than stable planning.

FY2025 (in-year / partial-year signal):

- **FY2025 expenditure (real 1,663 PKR mn) should not be read as a decline.** It reflects **in-year timing and cash-flow constraints**, and is included to flag current-year execution risk rather than to infer long-term trend.

Growth Rate Analysis

Series	Nominal CAGR %	Real CAGR % (FY2019)	Nominal AAGR %	Real AAGR % (FY2019)	Period
Budget Estimate	-2.04	-14.45	1.61	-11.43	FY2019-FY2025
Releases	-8.57	-20.15	4.31	-11.38	FY2019-FY2025
Expenditure	-17.26	-27.74	1.1	-14.33	FY2019-FY2025

What CAGR and AAGR tell you (in simple terms):

- CAGR (Compound Annual Growth Rate) shows the *overall "average annual" change* across the full period (FY2019–FY2025), smoothing out ups and downs,useful for judging whether the development budget is structurally growing or shrinking.
- AAGR (Average Annual Growth Rate) is the *simple average of year-to-year changes,* useful for spotting volatility and the "typical" annual movement, but it can be influenced by big swings in certain years.

Budget Estimates (BE): "Flat" in nominal, collapsing in real terms.

- Nominal CAGR: -2.04% → over the period, BE slightly declines in headline PKR.
- Real CAGR: -14.45% → after inflation, the purchasing power of BE drops sharply each year on average.
- Nominal AAGR: +1.61% vs Real AAGR: -11.43% → small nominal increases in some years are more than wiped out by inflation.

Releases: the spendable envelope is shrinking even faster in real terms.

- Nominal CAGR: -8.57% suggests releases have contracted materially even before adjusting for inflation.
- Real CAGR: -20.15% shows a very steep erosion in real purchasing power—meaning even when budgets are approved, the system is receiving less real funding to work with.

- Nominal AAGR: +4.31% but Real AAGR: -11.38% indicates volatility: some years see higher releases, but structurally, real releases trend downward.

Expenditure: the strongest contraction—especially in real terms (note FY2025 is mid-year).

- Nominal CAGR: -17.26% and Real CAGR: -27.74% point to a sharp decline in spending capacity over the period.
- Nominal AAGR: +1.1% vs Real AAGR: -14.33% again shows that any nominal improvements are not enough to offset inflation and execution constraints.
- Important caveat: FY2025 is half-year, so the expenditure CAGR will look worse mechanically; for a clean full-year trend, we should re-run CAGR/AAGR using FY2019–FY2024 or annualised FY2025.

Sector wise Analysis:

Primary dominates throughout, but the policy "tilt" changes over time (Final Budget shares):

- **FY2019:** Primary 65.8% vs Secondary 34.0% (others <0.3%).
- **FY2020:** Primary drops to 56.2% while Secondary rises to 43.6% (the *most Secondary-heavy year*).
- **FY2021–FY2022:** clear shift back to Primary (71.3% → 76.7%), Secondary falls (28.5% → 23.3%).
- **FY2023–FY2024:** Primary becomes overwhelmingly dominant (88.9% and 87.6%), Secondary stays low (9.0–10.2%).
- **FY2025:** allocation becomes more mixed again—Primary 77.5%, Secondary 16.1%, and Policy/Admin jumps to 6.5%.

Expenditure shares broadly track allocations (but with a few notable deviations):

- **FY2019:** Primary 58.9% vs Secondary 40.8% (Secondary spent *more than its budget share*).
- **FY2020–FY2021:** spending aligns closely with budget shares (Primary 56.9% then 70.4%).
- **FY2022:** Secondary spending share (28.2%) is higher than its budget share (23.3%)—suggesting execution tilted toward Secondary that year.
- **FY2023–FY2024:** Primary spending remains very high (88.2% and 87.2%), mirroring the strong Primary allocation.
- **FY2025 (mid-year):** Primary **76.4%**, Secondary **21.7%**, Policy/Admin **1.9%**—**treat as mid-year** (not full-year execution).

Structure and Fragmentation of the E&SED Development Portfolio (FY2019–FY2025)
Project-level distribution across budget, release, and expenditure stages (PKR million)

Indicator	Original Budget	Final Budget	Releases	Expenditure
No. of projects	2,328	2,328	2,328	2,328
Average project size	65	47	37	34
Median project size	7	5	2	1
Standard deviation	415	285	242	219
75% of projects below (PKR mn)	34	30	20	19
Largest single project	13,420	11,999	10,346	9,174
Top 5% projects' share of total budget (%)	**66.80%**	**60.40%**	**63.30%**	**63.30%**
Projects below PKR 10 mn (%)	**54.50%**	**59.10%**	**65.70%**	**67.10%**
Projects below PKR 20 mn (%)	**64.80%**	**68.90%**	**74.60%**	**75.60%**

- *The development portfolio is highly fragmented and concentrated at the same time.* While the average project size appears moderate, the median is extremely low (PKR 5–7 mn at approval, falling to PKR 1 mn at expenditure), and the top 5% of projects absorb about 60% of the total final budget.
- *Most projects operate below viable funding levels.* At final stage, 59% of projects are below PKR 10 mn and 69% below PKR 20 mn, levels that are typically insufficient to complete even basic missing-facility or rehabilitation scopes.
- *Fragmentation reinforces over-programming and execution risk.* A large number of small schemes are approved relative to available fiscal space, then further compressed through the year, increasing the likelihood of slow-moving or stalled projects and diluting service-delivery impact.

Box 2. Inflation Impact on Unit Cost

Illustrative impact of inflation on unit costs

The erosion of real purchasing power has direct implications for what the non-salary budget can deliver on the ground. For example, a standard missing-facility package (e.g. boundary wall, toilets, water, and minor rehabilitation) that cost approximately **PKR 2.0–2.5 million in FY2019** would cost around **PKR 4.0–5.5 million by FY2024**, reflecting cumulative inflation over the period. This implies that, even with unchanged nominal allocations, the same real development envelope can now cover **40–60% fewer schools** than in FY2019. Similar cost pressures apply to routine operations and maintenance items—utilities, minor repairs, and learning materials—reducing the effective service coverage of district and provincial non-salary budgets.

District School Education Budget Analysis:

FY	BE	Final Grant	Releases	Expenditure
2020	**133,648**	**143,498**	**108,894**	**140,755**
Salary	129,261	132,020	98,230	131,054

FY	BE	Final Grant	Releases	Expenditure
Non-Salary	4,387	11,478	10,664	9,701
2021	**146,866**	**171,216**	**116,808**	**168,452**
Salary	141,036	158,211	104,048	156,378
Non-Salary	5,831	13,005	12,760	12,074
2022	**175,994**	**176,907**	**44,607**	**88,367**
Salary	171,747	171,760	42,135	86,992
Non-Salary	4,247	5,147	2,472	1,375
2023	**200,033**	**245,859**	**183,095**	**240,277**
Salary	195,426	234,165	171,822	229,700
Non-Salary	4,607	11,695	11,273	10,576
2024	**245,699**	**276,611**	**220,676**	**275,603**
Salary	240,906	263,690	208,368	264,095
Non-Salary	4,794	12,921	12,308	11,508
2025	**238,619**	**238,708**	**10,995**	**39,392**
Salary	233,507	233,512	9,891	39,138
Non-Salary	5,112	5,196	1,104	254

District Budget Analysis with focus on non-Salary budget & execution

Salary vs Non-Salary (%)

- Salary: **94–99%**
- Non-Salary: **1–6%**, declining trend
- Confirms limited fiscal space for quality inputs

YoY Increase

- Highly volatile non-salary YoY
- 2022 collapse → 2023 rebound → 2025 drop
- Indicates **non-predictable financing**

Final vs BE increase (Total)

- 2020: **+7.4%**
- 2021: **+16.6%**
- 2022: **+0.5%**
- 2023: **+22.9%** *(largest upward revision)*
- 2024: **+12.6%**

FY2022 is the major red flag (service delivery risk)

- Utilization drops to **26.7%** and unspent gap is **PKR 3.8bn**.
  This is typically associated with:
- delayed/non-release of funds
- procurement disruptions

Deep dive: District Non-salary budget analysis

Non-Salary Budget – Year-on-Year Trend Analysis

1. Overall Pattern: High Volatility and Weak Predictability

- Non-salary allocations and execution show extreme year-to-year volatility.
- Sharp swings indicate unpredictable financing, making school-level planning difficult.

2. FY2021: Strong Expansion Phase

- Significant YoY increase across BE, Final, Releases, and Expenditure.
- Reflects a period of enhanced focus on non-salary inputs such as operations, maintenance, and school support services.

3. FY2022: Severe Compression and Service Delivery Risk

- **Across-the-board contraction**:
    - BE: **–27%**
    - Final: **–60%**
    - Releases: **–81%**
    - Expenditure: **–89%**
- Indicates major cash and execution constraints.

4. FY2023: Sharp Rebound (Catch-Up Effect)

- Exceptional growth in non-salary spending:
    - Final Grant: **+127%**
    - Releases: **+356%**
    - Expenditure: **+669%**
- Suggests **post-shock catch-up**, clearing of backlogs from FY2022.
- However, such spikes also point to **reactive budgeting rather than stable planning**.

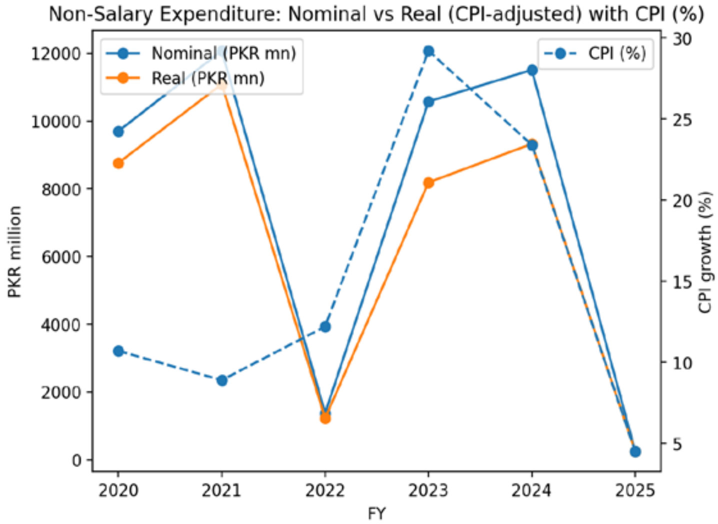
5. FY2024: Stabilisation at Moderate Levels

- Growth moderates to single-digit to low double-digit increases.
- Indicates temporary stabilisation in non-salary financing and execution.
- Still remains structurally low relative to total education spending.

Non-salary (Nominal vs Real)

- Nominal spending is volatile: it rises in 2021, collapses in 2022, rebounds in 2023–2024, and drops sharply in 2025 (partial-year), showing unstable financing for school inputs.

- Real (inflation-adjusted) spending is weaker than nominal in high-inflation years, especially 2023 (CPI 29.2%) and 2024 (CPI 23.4%)—meaning schools can buy less even when nominal spending looks higher.



- Compared to the 2021 peak, real non-salary spending is still lower in 2024 (real 9,326 vs 11,088 PKR mn), indicating erosion of purchasing power for O&M, materials, utilities, and minor repairs.
- Service delivery implication: in both nominal and real terms, the pattern indicates reduced and unpredictable support for non-salary inputs, which typically translates into lower school-level service quality (maintenance, learning materials, operations).

Non-Salary Growth Comparison (FY2020–FY2024)

Non-Salary Component	CAGR (% p.a.)	AAGR (% p.a.)	What it Indicates
BE	**2.2%**	**4.6%**	Slow underlying growth; limited planning space
Final Grant	**3.0%**	**22.6%**	Large in-year revisions; weak initial costing
Releases	**3.6%**	**76.1%**	Highly volatile cash releases
Expenditure	**4.4%**	**153.5%**	Extreme volatility due to FY2022 collapse & FY2023 rebound

Non-Salary Budget Credibility Scorecard (BE → Final → Release → Expenditure)

FY	Planning Credibility Final vs BE	Cash Credibility Releases / Final	Execution Credibility Exp / Final	Absorption Exp / Releases	Unspent vs Final	Cash Shortfall vs Final	Overall Credibility Signal
2020	+162% 🟠	92.9% 🟢	84.5% 🟠	91.0% 🟢	15.5%	7.1%	🟠 Adequate, but BE understated
2021	+123% 🟠	98.1% 🟢	92.8% 🟢	94.6% 🟢	7.2%	1.9%	🟢 Strong credibility year
2022	+21% 🟠	48.0% 🔴	26.7% 🔴	55.6% 🔴	73.3%	52.0%	🔴 Major breakdown – service delivery risk
2023	+154% 🟠	96.4% 🟢	90.4% 🟢	93.8% 🟢	9.6%	3.6%	🟢 Recovery / catch-up year
2024	+170% 🟠	95.3% 🟢	89.1% 🟠	93.5% 🟢	10.9%	4.7%	🟠 Stable but planning weak
2025*	+1.6% 🟢	21.2% 🔴	4.9% 🔴	23.0% 🔴	95.1%	78.8%	🔴 In-year only – not comparable

- Non-salary budgeting shows weak planning credibility: Final grants are consistently 2–3x higher than BE (2020–2024), implying systematic under-budgeting at the estimate stage.
- Execution is generally strong when releases are available (around 89–93% of Final in 2021/2023/2024), indicating that the main constraint is cash release predictability rather than spending capacity.
- FY2022 is a major credibility breakdown year for non-salary: releases and spending collapsed (48% and 27% of Final), creating high risk to school operations, maintenance, and quality inputs.

Deep Dive: Provincial Current Budget – FY 2020 to FY 2026

FY	BE	Final Grant	Releases	Expenditure
2020	**8,592**	**9,921**	**9,916**	**9,921**
Salary	1,496	1,336	1,333	1,336
Non-Salary	7,096	8,584	8,583	8,584
2021	**12,374**	**5,735**	**5,735**	**5,735**
Salary	1,702	1,791	1,791	1,791
Non-Salary	10,671	3,944	3,944	3,944
2022	**9,996**	**10,083**	**4,142**	**3,189**
Salary	2,086	2,090	1,785	1,102
Non-Salary	7,910	7,993	2,357	2,087
2023	**25,289**	**22,650**	**13,067**	**13,033**
Salary	1,915	1,858	1,477	1,469
Non-Salary	23,374	20,793	11,590	11,564
2024	**18,981**	**20,955**	**14,600**	**13,581**
Salary	2,076	2,207	2,206	1,827
Non-Salary	16,905	18,748	12,393	11,753
2025*	**20,365**	**20,367**	**3,226**	**308**
Salary	2,375	2,375	2,287	164
Non-Salary	17,989	17,992	939	144

The provincial education budget is intentionally structured to finance system-level functions, such as grants to institutions, teacher training, monitoring, and reform initiatives, rather than payroll-heavy service delivery. As a result, a large share of provincial non-salary allocations is approved upfront at the start of the fiscal year but requires subsequent operational planning, approvals, and sequencing before funds can be released to implementing entities.

The analysis shows that while these allocations are reflected in the Final Grant, releases and expenditure often lag significantly, particularly in periods of fiscal stress. This pattern does not indicate excess capacity or inefficiency, but rather highlights the absence of a clear, time-bound release and implementation plan for centrally managed non-salary programs. Strengthening the linkage between budget approval, release scheduling, and operational readiness would allow provincial support functions to be rolled out more predictably and effectively.

Key Elements of the Provincial Education Budget

1. **Grants and Transfers to Institutions & Programs**
   A significant portion of the provincial budget is allocated as non-salary grants, supporting entities such as textbook boards, education foundations, scholarships, and special initiatives. These grants are critical for system-wide inputs beyond payroll, including learning materials and institutional support.

2. **Directorate and Attached Department Budgets**
   Multiple directorates and autonomous/attached bodies (e.g., curriculum, assessment, training, examination, planning) are funded at the provincial level. These budgets primarily finance administration, coordination, and sector stewardship, and are largely non-salary in nature.

3. **Monitoring, Reform, and Information Units**
   Dedicated allocations exist for monitoring and reform-oriented units (e.g., monitoring cells, IMU-type functions, data and performance tracking). These are intended to strengthen oversight, accountability, and evidence-based decision-making across the school system.

4. **Teacher Training and Capacity Development**
   Provincial allocations cover teacher training institutions and programs (pre-service and in-service), which are essential for improving teaching quality and learning outcomes. These budgets typically fall under non-salary heads (training, workshops, materials, consultancies).

5. **Centralized Support Functions**
   The budget also includes funding for policy, planning, coordination, and sector support functions, enabling the province to manage curriculum reforms, assessment frameworks, gender initiatives, and sector-wide programs.

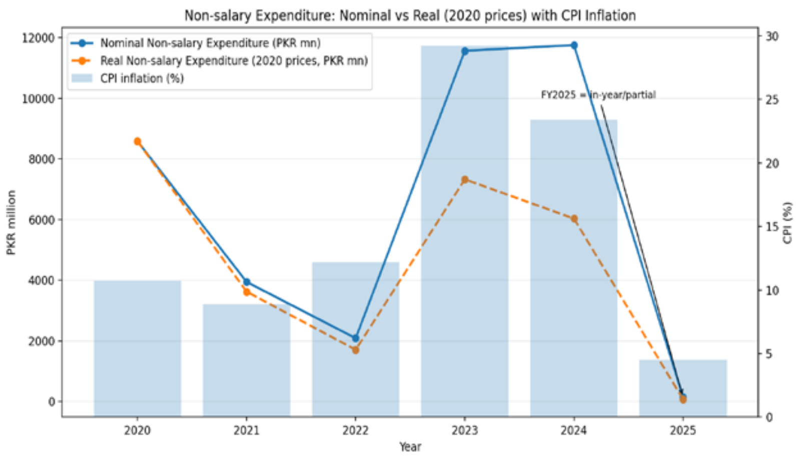
Provincial budget: Salary vs non-Salary

- Non-salary allocations dominate the provincial envelope in most years (79–92% of Final Grant in 2020 and 2022–2025), reflecting the province's system-level role in financing grants, directorates, monitoring, teacher training, and sector support functions rather than payroll-heavy service delivery.
- FY2021 represents a structural outlier. The sharp reduction in the Total Final Grant relative to BE (−63%) led to a temporary increase in the salary share (31%), driven primarily by a compression of non-salary allocations rather than an expansion in payroll. This reflects significant in-year reprioritisation affecting system-support inputs.
- Following 2021, the effectiveness of provincial non-salary allocations became increasingly dependent on timely release and operationalisation. In FY2022, only 29.5% of the non-salary Final Grant was released and 26.1% spent, indicating that a large share of approved allocations remained un-operationalised during the year, with implications for training, monitoring, and grant-funded programs.
- Partial recovery is observed in FY2023–FY2024, but release gaps remain. Non-salary releases and execution improved (56–66% of Final released; 56–63% spent), yet more

than one-third of approved non-salary resources were not utilised within the year, constraining the full roll-out of provincial support functions.

- FY2025 (in-year position) highlights emerging release-planning risks rather than annual performance. While the non-salary Final Grant is sizeable, only 5.2% has been released and 0.8% spent as of the cut-off date, suggesting that a significant portion of approved allocations is awaiting release scheduling and operationalisation.

Key messages (non-salary in real vs nominal terms)



- Real purchasing power is highly volatile: even where nominal growth looks positive (e.g., 2024 releases +6.9%), it becomes negative in real terms (-13.4%) because inflation is high.
- 2022 is a “real squeeze” year: despite Final Grant rising in nominal terms (+102.7%), real releases (-46.7%) and real expenditure (-52.8%) collapsed → strong signal of cash shortfalls and reduced provincial service-support delivery (training/monitoring/grants).
- 2023 shows a temporary rebound in real spending, even after high inflation (real exp +328.8%)—but this is followed by a real contraction again in 2024.
- 2025 is an in-year shock: real releases (-92.8%) and real exp (-98.8%) collapse—this should be flagged as partial-year / timing-driven, but it still signals severe disruption to non-salary service inputs.

Year	CPI %	Deflator (2020=1.00)	Nominal Non-salary Final	Real Non-salary Final (2020 prices)	Nominal Non-salary Releases	Real Non-salary Releases (2020 prices)	Nominal Non-salary Exp	Real Non-salary Exp (2020 prices)
2020	10.7	1	8,584	8,584	8,583	8,583	8,584	8,584
2021	8.9	1.089	3,944	3,622	3,944	3,622	3,944	3,622
2022	12.2	1.2219	7,993	6,542	2,357	1,929	2,087	1,708
2023	29.2	1.5786	20,793	13,172	11,590	7,342	11,564	7,325
2024	23.4	1.948	18,748	9,624	12,393	6,362	11,753	6,034
2025*	4.5	2.0357	17,992	8,838	939	461	144	71

CAGR vs AAGR – What the numbers really say (non-salary, 2020–2024)

- **Strong planning ambition, weak delivery conversion:**
Non-salary BE and Final Grants show high CAGR (24.2% and 21.6%), indicating a clear policy intent to scale up provincial non-salary functions (grants, teacher training, monitoring, directorates). However, this momentum does not translate proportionately into releases and spending.

- **High volatility masked by high AAGR:**
  The very high AAGR for releases (76.1%) and expenditure (88.6%) reflects large year-to-year swings rather than steady growth. This suggests stop-go financing, where occasional spikes (notably 2023) inflate averages without improving long-term predictability.
- **Execution lags structural expansion:**
  While allocations expanded rapidly, release CAGR (9.6%) and expenditure CAGR (8.2%) remain low, showing that cash availability and execution systems did not keep pace with planning growth—creating service delivery risks for provincial support functions.
- **Credibility gap widens down the budget chain:**
  The sharp drop from high CAGR at BE/Final stages to single-digit CAGR at release/expenditure stages highlights a credibility break—the key constraint is not policy prioritisation, but in-year funding predictability and execution follow-through.

What the provincial non-salary budget is telling us deep-dive

- **A significant share of provincial non-salary allocations is approved centrally but awaits release and operationalisation.**
  Large non-salary provisions are held at the provincial level with limited or no releases during the year, most notably PR5211 (PKR 8,969 million Final in FY2025). As a result, execution remains minimal at the time of review. This pattern reflects centralized budget structuring without a time-bound release plan, delaying the conversion of approved allocations into system-support inputs such as grants, monitoring activities, training, and operational support.
- **Key provincial reform and support instruments are budget but not yet operationalised.**
  Major system-level programs, including ASPIRE (PKR 2,885 million Final) and the Elementary & Secondary Education Foundation (ESEF) (PKR 2,115 million Final), show no releases or expenditure as of the cut-off date. This indicates that while policy intent and budgetary space are clearly articulated, implementation sequencing and release planning have not yet enabled these programs to become operational.
- **Monitoring and accountability functions face delayed execution linked to release timing and implementation sequencing.** The KP Education Monitoring Authority (PKR 1,650 million Final) received partial releases (25%) but recorded limited expenditure (7.5%), suggesting timing mismatches between fund release, procurement, and implementation processes. This constrains the effectiveness of oversight, performance tracking, and accountability functions that are particularly important in a salary-dominant system.
- **Merged District–focused provincial grants face heightened operational risks.**
- Several grant-in-aid lines for merged districts (including cadet colleges in Wana, Razmak, Spinkai, and Mohmand) show partial releases (around 25%) but no expenditure to date. This suggests post-release implementation constraints—such as documentation,

compliance, or timing issues—which can disproportionately affect service delivery in already vulnerable MD contexts.

- **Teacher training and gender-responsive institutions are structurally prioritised but operationally constrained.**
  Regional Professional Development Centres (RPDCs) and gender-focused training institutions receive moderate releases (often 50–80%), yet execution remains low in several cases. This indicates that while the budget architecture supports teacher development and gender equity, execution capacity, procurement sequencing, and cash-flow predictability limit timely roll-out of training activities.

Year	Item	Final (PKR mn)	Releases (PKR mn)	Exp (PKR mn)	Release % of Final	Exec % of Final	Key message
2022	PR5211 – Lumpsum (Finance Dept)	4,533.60	0	0	0	0	Approved but not released → grants/training/monitoring delayed
2022	AD5179 – Addl Director TPD/DCTE Abbottabad	13	0	0	0	0	Training support budget blocked at release stage
2023	PR5211 – Lumpsum (Finance Dept)	2,247.00	0	0	0	0	Continued central allocations awaiting release/operationalisation
2024	PR5211 – Lumpsum (Finance Dept)	4,642.50	0	0	0	0	Persistent non-release → provincial service support constrained
2025*	PR5211 – Lumpsum (Finance Dept)	8,969.40	0	0	0	0	Largest block; signals systemic release bottleneck
2025*	PR8262 – ASPIRE	2,885.00	0	0	0	0	Reform/innovation program not operationalised
2025*	PR8916 – ESE Foundation (ESEF)	2,115.20	0	0	0	0	Grants/support to foundation not disbursed
2025*	Governor Model Schools (multiple MDs FCs)	0.01	0	0	0	0	Small amounts but signals MD non-salary release gaps
2025*	**A05 – Grants/Subsidies/Other**	16,035.90	—	123.3	—	**0.8**	Grants dominate non-salary, but almost no spending
2025*	**A03 – Operating Expenses**	1,854.50	—	15.3	—	**0.8**	Provincial operations/oversight inputs not executed
2025*	A06 – Transfers	67.4	—	0.2	—	0.4	Negligible execution
2025*	A13 – Repairs & Maintenance	17.7	—	1.1	—	6.5	Some spending but still far below credible delivery
2025*	A09 – Physical Assets	2	—	0	—	0	No execution

* *FY2025 is in-year/partial*, ***so low execution may reflect timing—but the*** *scale of zero-release items is still a high-risk signal.*

Key Findings & Challenges

Development Budget

Budget credibility is the primary constraint, rather than sector absorption once ceilings are confirmed.
Repeated in-year compressions from Budget Estimates (BE) to Final allocations—particularly in FY2020 and FY2022—regularly reset the development envelope. This points to a misalignment between approved portfolios and available fiscal space, as well as cash and ceiling constraints, which reduces predictability for delivering missing facilities, rehabilitation, and upgradation works.

Execution against the final, spendable envelope is generally strong when funding is credible and timely.
In several years, once final ceilings are confirmed and releases materialise, spending approaches completion. This indicates that implementation capacity exists and that improvements in budget credibility and release predictability would translate more quickly into completed school infrastructure outputs.

In real terms, the development budget has weakened, reducing purchasing power for school improvement.
Although nominal allocations fluctuate, inflation-adjusted trends show a clear decline in the real value of development spending. As a result, the same budgets now finance fewer missing-facility packages, smaller scopes of work, and higher unit costs per scheme—even when headline PKR allocations appear stable.

The development portfolio remains highly fragmented, increasing execution risk and diluting impact.
A large number of small schemes with very low median allocations are more vulnerable to in-year adjustments, delayed releases, and partial execution. This fragmentation slows project completion and limits visible improvements in school functionality.

Policy implication:
The key challenge for the development non-salary budget lies in aligning portfolio size and composition with realistic fiscal space and predictable cash flows. Strengthening upfront prioritisation, consolidating sub-viable schemes, and improving release planning would enhance planning certainty and support timely delivery of infrastructure outputs—particularly critical for primary school readiness.

District School Education Budget – FY 2020 – FY 2025*

District non-salary resources are structurally limited and operationally volatile, constraining school-level functionality.
While salaries dominate district budgets, the non-salary component that finances operations and maintenance, utilities, minor repairs, and school inputs remains small and subject to sharp year-to-year fluctuations. This volatility limits districts' and schools' ability to plan and deliver routine services consistently.

Planning credibility remains a key challenge at the estimate stage.
Final grants are repeatedly much higher than Budget Estimates across FY2020–FY2024, indicating systematic under-budgeting at approval followed by in-year adjustments. This pattern reduces transparency and weakens predictability for school-level operations and input provision.

FY2022 highlights acute execution and cash-flow stress with service-delivery implications.
In FY2022, non-salary releases and expenditure fell sharply relative to Final allocations, leaving a large share of approved resources unutilised. Such compression typically translates into deferred maintenance, gaps in operating inputs, and weaker learning environments at the school level.

FY2023–FY2024 reflect recovery, but not yet a stable financing framework.
Improved releases and execution demonstrate that districts can effectively absorb funds when financing is available. However, the observed "collapse-then-rebound" pattern suggests reactive in-year adjustments rather than a predictable and stable approach to financing routine school inputs.

In real terms, district non-salary spending has weakened, reducing schools' purchasing power.
High inflation has eroded the real value of non-salary allocations, meaning that even when nominal spending increases, schools are able to finance fewer repairs, shorter operating coverage, and lower-quality inputs than in earlier years.

*** FY2025 district execution reflects an in-year/partial position and is not directly comparable with full-year outcomes.***

Provincial Current Budget – FY 2020 – FY 2025*

The provincial envelope is appropriately non-salary heavy, but effectiveness depends on timely release and operationalisation.
The dominance of non-salary allocations aligns with provincial functions—grants, directorates, monitoring, teacher training, and system support. However, a significant share of these allocations remains centrally held during the year, limiting their conversion into operational funding for system support functions.

Centralised allocations without a clear release schedule constrain implementation of grants and support programs.
Repeated patterns of approved allocations with limited or zero releases—particularly for large lump-sum provisions and major grant-based instruments—point to a structural cash-flow and release-planning bottleneck. As a result, budgeted resources are slow to reach implementing entities.

Grants and operating inputs face delays in becoming operational (in-year).
Where non-salary resources are concentrated in grants and operating heads, low in-year execution suggests delayed disbursements and constrained roll-out of system support activities, affecting the province's ability to enable district-level service delivery.

Monitoring and accountability functions receive partial funding but face execution delays.
Partial releases combined with low execution indicate timing and sequencing challenges—such as late releases, procurement processes, or contracting delays—which reduce the effectiveness of monitoring and performance-tracking units that are central to improving school functionality and learning outcomes.

Teacher training and gender-responsive institutions are structurally prioritised but operationally constrained.
Allocations for training institutions and female-focused centres are present in the budget framework, yet low execution suggests that implementation readiness, release timing, and delivery capacity limit the translation of these priorities into expanded training coverage and improved teaching quality.

Policy Recommendations:

Policy Recommendation	Problem Addressed (KP NSB)	Action Required (Clear & Implementable)
1. Make NSB ceilings credible at approval stage	Over-programming and large BE→Final compressions in the development budget	• Introduce a hard NSB ceiling aligned with realistic fiscal space at Budget Call stage • Apply a readiness screen (design, cost estimates, land, procurement plan) before scheme inclusion • Publish quarterly "approved vs funded" lists to track in-year adjustments
2. Protect a minimum district-level "school functionality" NSB package	District NSB volatility and erosion of routine school operations	• Define a minimum per-school/per-student package (utilities, minor repairs, essential materials) • Ring-fence this package from re-appropriations except for documented emergencies • Apply differentiated norms for small, rural, and high-needs schools
3. Improve release predictability through quarterly schedules	Cash-flow unpredictability and zero-release cases	• Adopt published quarterly release calendars for NSB (district and provincial) • Introduce escalation triggers where Final>0 but Release=0 by Q2 • Require documented decisions for continued withholding
4. Operationalise provincial NSB allocations through programmatic design	Large provincial allocations awaiting release and operationalisation	• Convert central lump-sum provisions into named programs (grants, training, monitoring) • Define eligibility rules, unit costs, and delivery channels • Require release and procurement plans before finalisation of large provisions
5. Strengthen execution readiness for NSB spending units	Under-execution despite partial releases (monitoring, training, O&M)	• Require annual procurement and contracting plans for provincial units and large district NSB • Build contract pipelines for recurring services (training, monitoring visits)

Policy Recommendation	Problem Addressed (KP NSB)	Action Required (Clear & Implementable)
		• Track simple execution KPIs (e.g., % committed by Q3)
6. Link NSB releases to service outputs	Weak translation of spending into visible results	• Define a small set of NSB output indicators (e.g., schools receiving O&M package, facilities completed, trainings delivered) • Tag budgets and monitor quarterly • Use mid-year reviews to reallocate toward performing programs
7. Protect NSB in real terms against inflation	Erosion of purchasing power due to high inflation	• Introduce index-based adjustments for standard operational inputs • Update cost norms annually using CPI/market data • Ensure real-value protection for the minimum functionality package
8. Reduce fragmentation in the development portfolio	Thousands of small schemes with low viability and slow completion	• Consolidate small schemes into district-level packages • Apply a "complete-first" rule before approving new schemes • Publish district-wise completion and unit-cost dashboards
9. Make grants to MDs and institutions executable	Releases without spending; compliance and flow-of-funds delays	• Standardise grant agreements, claims, and verification templates • Establish a single-window grant support cell in E&SED • Introduce fast-track mechanisms for releases after Q2