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Blended Finance, Entrepreneurial Budgeting, and Public Service Competitiveness

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ABSTRACT

Purpose – This study examines the relationships among blended-finance practices, entrepreneurial budgeting, and perceived public service competitiveness. It also investigates the mediating role of entrepreneurial budgeting and the conditions under which fiscal reform practices support service competitiveness.
Design/methodology/approach - A convergent parallel mixed-methods design combines PLS-SEM based on responses from 218 public officials, key-informant interviews, and focus group discussions. The analysis is complemented by a descriptive cost-benefit analysis of 2020–2024 programs and a budget impact analysis for 2025–2029 scenarios.
Findings/Results - Blended finance and entrepreneurial budgeting are positively associated with public service competitiveness. Entrepreneurial budgeting partially mediates the relationship between blended finance and service competitiveness, while institutional alignment and governance capacity condition these relationships. The integrated reform category records a benefit-cost ratio of 3.27, while the broader reform portfolio records 2.74. The full integration scenario indicates potential Year-5 expenditure savings of 17.5% relative to the modeled baseline.
Originality/Value - This study integrates blended finance and entrepreneurial budgeting within a public-sector competitiveness framework and triangulates perceptual evidence with program and fiscal analysis. The findings highlight the importance of combining innovative financing, entrepreneurial budgeting, institutional alignment, and governance capacity in strengthening public service performance.

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1. Introduction

A tension has long characterized public administration in decentralized polities: elected governments are simultaneously expected to expand and improve services while operating within tightening fiscal envelopes. In Indonesia, the tension is particularly pronounced at the subnational level. Following the landmark decentralization laws of 1999 and subsequent revisions, provincial and district governments absorbed dramatically expanded service-delivery mandates in education, health, infrastructure, and social protection without commensurate growth in own-source revenue. The resulting structural dependency on intergovernmental transfers, particularly the Dana Alokasi Umum and Dana Alokasi Khusus, has constrained the fiscal creativity that effective service delivery demands (Hofman & Kaiser, 2004; Sjahrir et al., 2014).

North Sulawesi comprises one provincial government and fifteen district/city administrations; however, the present survey does not cover that entire regional-government system. Its quantitative evidence is drawn only from 14 selected OPDs located within the North Sulawesi Provincial Government and Manado City Government. Accordingly, the province provides the policy context, while statistical inference is restricted to individual officials in these sampled units.

Two reform instruments have attracted growing scholarly and policy attention as potential responses to this challenge. Blended finance (BF) the strategic use of development finance and philanthropic capital to mobilize private resources for development goals offers a mechanism for augmenting constrained public budgets without proportional expansion of public debt (OECD, 2018; Convergence, 2019). Entrepreneurial budgeting (EB), rooted in the reinventing government tradition and contemporary performance budgeting frameworks, reconfigures budget processes around outcome targets, competitive resource allocation, and managerial discretion to innovate (Osborne & Gaebler, 1992; Andrews, 2013; Robinson, 2011). However, despite their theoretical complementarity, the two instruments have rarely been examined together, and their joint effect on public service competitiveness has not been empirically tested in Indonesian regional governance contexts.

This study addresses that gap within a deliberately bounded sampling frame. Three research questions guide the inquiry: First, how are officials' perceptions of blended-finance readiness/practices and entrepreneurial budgeting associated with perceived public service competitiveness in the 14 sampled OPDs? Second, do perceived institutional alignment and governance capacity condition those relationships? Third, what descriptive fiscal evidence do the CBA and prospective BIA provide for integrating BF and EB relative to conventional grant-based approaches? A convergent parallel mixed-method design integrates respondent-level associations, qualitative mechanisms, historical program evidence, and prospective scenarios without treating them as equivalent forms of causal evidence.

The paper makes four bounded contributions. It extends public value and resource-based reasoning to a dual-instrument fiscal reform context; tests respondent-level associations between perceived BF readiness/practices, EB, and perceived service competitiveness in selected Indonesian government units; combines descriptive CBA with prospective BIA; and offers context-specific propositions for the participating governments. It does not claim statistical representativeness for all district/city governments in North Sulawesi.

2. Literature Review & Hypothesis Development

2.1 Blended Finance: Mechanisms and Public Sector Applications

Blended finance is defined by the OECD (2018) as the strategic use of development finance to mobilize additional resources principally private capital toward sustainable development in developing countries. Three structural mechanisms underpin blended finance instruments in government contexts: concessional lending or grant-making that 'de-risks' private co-investment; guarantees and risk-sharing facilities that absorb first-loss tranches; and results-based financing that links disbursements to verified service delivery outcomes (Bhattacharya et al., 2016; Convergence, 2019).

Applied to subnational public finance, BF offers theoretical advantages over conventional grants. By attracting private co-financing, BF can expand the total resource pool without a proportional increase in public indebtedness. Results-based BF instruments embed accountability mechanisms that conventional block grants lack. Moreover, blended structures can accelerate service delivery timelines by enabling front-loaded investment while spreading cost recovery over longer periods (OECD, 2018; World Bank, 2020). However, empirical evidence on BF's effect on public service outcomes rather than on investment volumes remains sparse, particularly at the subnational level in middle-income countries.

2.2 Entrepreneurial Budgeting: From Reinvention to Performance

The theoretical genealogy of entrepreneurial budgeting runs from the New Public Management revolution of the 1980s through Osborne and Gaebler's (1992) reinventing government framework to the contemporary OECD performance budgeting agenda (Robinson, 2011; Andrews, 2013). EB departs from incrementalist and line-item budget traditions in three fundamental ways: it anchors resource allocation to programmatic outcomes rather than input categories; it introduces competitive mechanisms internal markets, challenge funds, cross-departmental bidding that discipline resource use through quasi-market signals; and it grants program managers discretionary authority to reallocate within performance envelopes, in exchange for accountability for results.

In the Indonesian regional government, Law No. 17 of 2003 on State Finance and Government Regulation No. 12 of 2019 on Regional Financial Management provide the formal legal basis for output- and outcome-based budgeting. However, implementation quality varies enormously across OPDs, and the behavioral and institutional conditions that distinguish genuinely entrepreneurial from nominally compliant budget practices are poorly understood in the empirical literature on Indonesian decentralization (Sjahrir et al., 2014; Hofman & Kaiser, 2004).

2.3 Public Service Competitiveness: Conceptual Foundations

Public service competitiveness (PSC) conceptually denotes a public organization’s capacity to deliver services that meet citizen expectations relative to relevant comparators at an equivalent or lower resource cost (Boyne, 2003; Walker et al., 2011). In the SEM, however, this objective organizational construct is not directly observed. The measured outcome is therefore termed perceived public service competitiveness (PPSC): officials’ assessments of service quality, operational efficiency, innovativeness, and responsiveness in their work setting. Citizen satisfaction, waiting time, and unit-cost measures are used only as program-level triangulation where available; they are not indicators of the SEM latent variable.

PPSC is operationalized through eight official-reported perceptual items across four domains: perceived service quality, perceived operational efficiency, perceived innovativeness, and

perceived responsiveness. Consequently, the SEM estimates relationships among individual perceptions rather than objective service competitiveness or citizen-assessed performance.

2.4 Research Gap Analysis

Table 2 provides a structured gap map derived from the systematic review of 94 peer-reviewed articles and policy reports published between 2010 and 2024 across journals including Public Administration Review, Governance, World Development, Journal of Public Administration Research and Theory, Public Money & Management, and the International Journal of Public Sector Management.

Table 1. Research Gap Analysis: Blended Finance, Entrepreneurial Budgeting, and Public Service Competitiveness

Study Focus	Key Works	Methodological Approach	Gap Identified
Blended finance architecture	Convergence (2019); Triodos (2021); Addis Ababa Action Agenda	Descriptive; case study	Lacks linkage to subnational public service outcomes
Entrepreneurial / performance budgeting	Andrews (2013); Robinson (2011); OECD (2019)	Comparative institutional analysis	Seldom empirically tested in the Indonesian regional context
Public service competitiveness	Osborne & Gaebler (1992); Boyne (2003); Walker et al. (2011)	Survey; DEA	BF and EB as joint antecedents are unexplored
Cost-Benefit Analysis in Public Finance	Boardman et al. (2018). Nas (2016); Brent (2020)	Ex-ante CBA; social CBA	Rare application to hybrid public–private budget portfolios
Budget Impact Analysis in Government	Sullivan et al. (2014). Claxton et al. (2015)	Health economics origin	Virtually absent from the regional government budget reform literature
Mixed-method public admin research	Creswell & Plano Clark (2018); Tashakkori & Teddlie (2010)	Convergent parallel designs	Joint BF–EB nexus under decentralization not examined

Source: Systematic review of literature (2010–2024)

The gap analysis reveals a consistent pattern: while BF and EB have each attracted growing scholarly attention independently, their joint examination as complementary fiscal reform instruments and their combined effect on subnational public service competitiveness remains uncharted territory. This study occupies precisely that intersection.

3. Methodology

Three theoretical traditions converge to anchor this study's analytical model. Public value theory (Moore, 1995) provides the overarching normative frame: public organizations exist to create value for citizens and communities, and PSC is the operational expression of that capacity. The resource-based view of public organizations (Barney, 1991; Darnall et al., 2008) supplies the mechanism: superior service competitiveness derives from rare, inimitable organizational capabilities that are shaped, in this context, by the institutions and instruments through which resources are mobilized and deployed. Institutional theory (DiMaggio & Powell, 1983; Scott, 2014) explains why those capabilities vary: the regulatory, normative, and

cognitive-cultural pillars of the regional governance environment moderate the effectiveness with which BF and EB instruments translate into PSC improvements.

From this synthesis, the study proposes six hypotheses:

H1: Perceived blended-finance readiness/practices has a significant positive association with PPSC.

H2: Perceived entrepreneurial budgeting has a significant positive association with PPSC.

H3: Perceived blended-finance readiness/practices is positively associated with perceived EB.

H4: Perceived EB mediates the association between perceived BF readiness/practices and PPSC.

H5: Perceived institutional alignment moderates the PBF–PPSC association.

H6: Perceived governance capacity moderates the EB–PPSC association.

3.1 Overall Design

This study employs a convergent parallel mixed-method design (Creswell & Plano Clark, 2018). Survey data, qualitative evidence, historical program records, and prospective scenarios were analyzed separately and integrated at interpretation. The survey component is cross-sectional and supports respondent-level association rather than organizational-level or longitudinal causal inference.

Table 2. Convergent Parallel Mixed-Method Research Design Overview

Component	Quantitative Strand	Qualitative Strand	Integration Point
Purpose	Estimate respondent-level associations among PBF, EB, and PPSC	Unpack mechanisms and contextual enablers	Convergent parallel triangulation
Data Source	Survey: 218 officials nested in 14 selected OPDs of the provincial and Manado city governments	12 key-informant interviews; 6 FGDs	Merged at the interpretation stage
Analytical Tools	SEM-PLS; CBA; BIA	Thematic coding (NVivo 14); narrative synthesis	Joint display matrix
Period	Cross-sectional survey; program records FY2020–2024	Policy episodes 2019–2024	5-year longitudinal window
Validity Strategy	CR > 0.70; AVE > 0.50; HTMT < 0.85	Member-checking; peer debriefing; negative-case analysis	Triangulated findings memo

Source: Authors' research design

3.2 Quantitative Strand: Sampling and Survey Instrument

The survey population comprised civil servants, budget-planning officers, financial managers, and program heads in 14 selected OPDs drawn from two administrations: the North Sulawesi Provincial Government and Manado City Government. Stratified purposive sampling yielded 218 valid respondents (response rate: 76.2%), each with at least two years of direct involvement in budget planning or service-delivery management. Respondents are nested within OPDs, but the small number of clusters (14) does not support reliable OPD-level aggregation or

multilevel estimation. The SEM therefore treats the individual respondent as the unit of analysis, with all constructs interpreted as perceptions of practices in the respondent's work setting.

The survey instrument comprised 31 items across five perceptual latent constructs: perceived blended-finance readiness/practices (PBF; 6 items), perceived entrepreneurial budgeting (EB; 7 items), perceived public service competitiveness (PPSC; 8 items), perceived institutional alignment (IA; 5 items), and perceived governance capacity (GC; 5 items). The PBF items refer to officials' awareness of, organizational readiness for, and reported use of risk sharing, co-financing, and results-linked funding practices; they do not measure capital mobilized or the value of completed BF transactions. Likewise, PPSC items capture officials' perceptions rather than citizen ratings or audited unit costs. All items used a five-point Likert scale. The instrument was pre-tested with 30 practitioners outside the main sample; pilot Cronbach's alpha ranged from 0.81 to 0.89.

3.3 SEM-PLS Analysis

SmartPLS 4.0 was used to estimate respondent-level associations. Measurement-model assessment followed Hair et al. (2022): outer loadings ≥ 0.70, composite reliability ≥ 0.70, AVE ≥ 0.50, and HTMT < 0.85. The structural model used 5,000 bootstrap subsamples. Because the data are cross-sectional, perceptual, and clustered within 14 OPDs, path coefficients are interpreted as conditional associations rather than causal organizational effects. Common-method bias was assessed using Harman's single-factor test and the common latent factor approach; neither indicated single-factor dominance, although procedural common-source limitations remain.

Mediation analysis followed Preacher and Hayes's (2008) approach to indirect effects, using bootstrapped confidence intervals. Moderation was tested through interaction terms constructed as the product of mean-centered latent variable scores, following the two-stage product indicator method (Henseler & Chin, 2010).

3.4 Cost-Benefit Analysis (CBA)

CBA was applied descriptively to documented BF-backed, EB-driven, integrated BF + EB, and conventional grant program categories implemented during FY2020–2024. Costs included direct administration, co-financing, and opportunity costs. Benefits included service-utilization gains, recipient time savings, avoided illness costs for health programs, and productivity gains for infrastructure programs. Estimates were discounted at 7%, with sensitivity checks of ±2 percentage points and ±15% costs. The three reform categories and the conventional comparator are reported separately to prevent the comparator from being double-counted in a reform portfolio.

Costs were sourced from official budget-realization records for FY2020–2024. Benefit valuation used documented service utilization and time savings, supplemented by willingness-to-pay, cost-of-illness avoidance, and productivity valuations where relevant. Conventional grant programs were selected as a descriptive comparator based on broadly similar service domain, implementation period, and administrative scale where records permitted. Because no propensity matching, random assignment, or common-baseline adjustment was feasible, this group is not treated as a causal control. Differences in BCR may partly reflect program composition, beneficiary mix, and selection into reform. Overlapping benefits were reviewed by category and counted once within each program record; remaining valuation uncertainty is addressed through sensitivity ranges and acknowledged as a limitation.

3.5 Budget Impact Analysis (BIA)

BIA, an analytical tool developed primarily in health economics (Sullivan et al., 2014; Claxton et al., 2015) but increasingly advocated for broader public finance applications, estimates the net budgetary consequences of adopting a new program or policy over a defined time horizon. This study adapts BIA methodology to a regional government fiscal context an application that, to the authors' knowledge, represents a novel extension of the tool's scope beyond its health-sector origins.

Four prospective fiscal scenarios were modeled for FY2025–FY2029: status quo, BF scale-up only, EB integration only, and full BF–EB integration. The baseline follows expenditure growth calibrated from FY2020–2024 records and RPJMD parameters. Scenario reductions are phased assumptions, not observed savings: at Year 5 they equal 6.5%, 10.1%, and 17.5% below baseline, respectively. The combined scenario is an integrated policy case and is not evidence of a statistically estimated interaction. A sensitivity case applies a 15% overrun to modeled reform-implementation costs, producing an 8.7% Year-5 difference from baseline. Mobilization, adoption, implementation cost, financing-charge, contingent-liability, and private-return assumptions are embedded in the historical cost drivers; therefore the outputs should be read as planning estimates requiring validation during implementation.

3.6 Qualitative Strand

Twelve key-informant interviews (KIIs) were conducted with purposively selected senior officials provincial secretaries, regional financial management heads (BPKAD), OPD program coordinators, and a Bappeda planning director between August and November 2024, each lasting 60–90 minutes. Six focus group discussions (FGDs) were organized with front-line service staff and community representatives across three districts (Manado, Minahasa, and Bitung). Data were recorded, transcribed verbatim, and analyzed using NVivo 14 through a six-phase thematic coding procedure (Braun & Clarke, 2006). Trustworthiness was ensured through member-checking, peer debriefing, and negative-case analysis.

Integration of qualitative and quantitative findings was conducted using a joint display matrix technique (Guetterman et al., 2015), in which quantitative path estimates were juxtaposed with emergent qualitative themes to assess convergence, divergence, and complementarity.

4. Results and Discussion

4.1 Results

4.1.1 Descriptive Statistics and Measurement Model

Table 3 presents descriptive statistics and reliability estimates for respondent-level perceptual constructs. Mean scores of 3.48–3.84 indicate moderate-to-high endorsement, not objective OPD performance or actual financing volumes. Reliability, AVE, and HTMT results support measurement consistency and discriminant validity within the survey model.

Table 3. Descriptive Statistics and Construct Reliability (n = 218)

Construct (Items)	Mean	SD	Min	Max	Cronbach α
Perceived BF readiness/practices (PBF) – 6 items	3.84	0.61	1.00	5.00	0.883
Entrepreneurial Budgeting (EB) – 7 items	3.71	0.68	1.00	5.00	0.901
Perceived public service competitiveness (PPSC) – 8 items	3.62	0.72	1.00	5.00	0.916

Institutional Alignment (IA) – 5 items	3.55	0.65	1.00	5.00	0.874
Governance Capacity (GC) – 5 items	3.48	0.69	1.00	5.00	0.862

Note: All items rated on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). CR and AVE exceeded threshold values for all constructs.

4.1.2 Structural Model Results

Table 4 presents the structural path coefficients, standard errors, t-statistics, and p-values from bootstrapped SEM-PLS estimation. All six hypotheses are supported at the 0.001 significance level.

Table 4. SEM-PLS Structural Path Results (Bootstrap n = 5,000)

Path (Hypothesis)	β	SE	t-stat	p-value	Supported
H1: PBF → PPSC	0.312	0.061	5.115	< 0.001	Yes
H2: EB → PPSC	0.287	0.058	4.948	< 0.001	Yes
H3: PBF → EB	0.341	0.063	5.413	< 0.001	Yes
H4: EB mediates PBF → PPSC	0.098	0.022	4.455	< 0.001	Yes
H5: IA moderates PBF → PPSC	0.174	0.049	3.551	< 0.001	Yes
H6: GC moderates EB → PPSC	0.156	0.047	3.319	0.001	Yes

Note: β = standardized path coefficient; SE = standard error; significance assessed via two-tailed bootstrapped t-test.

The association between PBF and PPSC (β = 0.312) is the largest direct path, followed by EB and PPSC (β = 0.287). PBF is also associated with EB (β = 0.341), while the specific indirect effect through EB is significant (β = 0.098), supporting partial mediation. The model explains 58.3% of respondent-level variance in PPSC (R^2 = 0.583). These coefficients do not establish OPD-level effects or temporal causality.

Moderation analyses indicate positive interaction coefficients for IA on the PBF–PPSC association (β = 0.174) and GC on the EB–PPSC association (β = 0.156). These coefficients establish the direction and significance of moderation in the estimated model, but the retained output does not contain simple-slope confidence intervals or incremental f^2 values. We therefore do not reconstruct conditional effects and present them as direct SmartPLS output. This limitation does not alter the key distinction: neither moderation test is a PBF × EB interaction or a direct test of synergy.

4.1.3 Cost-Benefit Analysis Results

Table 5 reports each program category separately and calculates the reform-program portfolio without the conventional comparator. The pattern is descriptive: integrated pilots have the highest observed BCR, but the design does not isolate a causal financing effect from program composition or selection.

Table 5. Cost-Benefit Analysis Summary (FY2020–2024; Discount Rate 7%)

Program / Initiative	Total Cost (IDR Bn)	Total Benefit (IDR Bn)	NPV (IDR Bn)	BCR
BF-backed infrastructure grants (14 OPDs)	47.3	118.6	71.3	2.51
Entrepreneurial budget reallocation (FY2021–23)	28.9	79.4	50.5	2.75
Integrated BF + EB program pilots (6 OPDs)	19.6	64.2	44.6	3.27

Conventional grant programs (control group)	53.1	72.8	19.7	1.37
Reform-program portfolio (excludes conventional comparator)	95.8	262.2	166.4	2.74

Note: IDR Bn = Indonesian Rupiah billions. NPV calculated over program duration. BCR = Total Benefits / Total Costs.

The integrated BF + EB pilot category records a BCR of 3.27. The three-category reform-program portfolio has costs of IDR 95.8 billion, benefits of IDR 262.2 billion, NPV of IDR 166.4 billion, and BCR of 2.74. The conventional grant comparator remains separate at BCR 1.37. The previously reported BCR of 2.25 combined all four categories, including the comparator, and is therefore removed as a measure of the BF–EB portfolio. Sensitivity checks indicate that the reform portfolio remains above break-even under the modeled cost and discount-rate variations; these ranges address parameter uncertainty but not unobserved selection bias.

Qualitative evidence from KIIs corroborated the CBA findings. One regional financial management head noted that the blended financing structure for the Manado waterfront infrastructure project reduced the cost per beneficiary by approximately 28 percent compared with the previous conventionally financed equivalent, while delivering measured improvements in service satisfaction. Similar narratives emerged from FGDs in Minahasa regarding upgrades to community health centers funded through a results-based blended grant arrangement.

4.1.4 Budget Impact Analysis Results

Table 6 presents the BIA projections across four fiscal scenarios over the 2025–2029 planning horizon.

Table 6. Budget Impact Analysis: Fiscal Scenarios for North Sulawesi (FY2025–2029)

Budget Scenario	Year 1 (IDR Bn)	Year 3 (IDR Bn)	Year 5 (IDR Bn)	Δ vs. Baseline (%)
Baseline (status quo, no BF/EB reforms)	185.4	196.1	208.3	—
Scenario A: BF scale-up only (+30%)	181.2	188.4	194.7	−6.5%
Scenario B: EB integration only (zero-base reset)	183.1	185.6	187.2	−10.1%
Scenario C: Full BF + EB integration (prospective policy case)	178.6	176.3	171.8	−17.5%
Scenario D: Sensitivity – 15% cost overrun under Scenario C	185.3	187.1	190.2	−8.7%

Note: IDR Bn = Indonesian Rupiah billions. Projections based on LKPD FY2020–2024 data and RPJMD 2024–2029 macroeconomic parameters. Δ vs. Baseline calculated at Year 5.

The BIA is a prospective planning exercise. Under Scenario C, modeled Year-5 expenditure is IDR 171.8 billion, 17.5% below the Year-5 status-quo baseline of IDR 208.3 billion. This is a point-in-time Year-5 difference, not an observed cumulative saving over five years. Because service-quality maintenance is supported only by qualitative mapping rather than an explicit quantitative constraint, the scenario should be interpreted as conditional on service quality being maintained and verified during implementation.

Scenario D incorporates a 15% overrun in eligible reform-implementation costs and remains 8.7% below the modeled Year-5 baseline. This sensitivity result describes the selected

parameterization; it does not validate the BF mobilization, adoption, financing-charge, contingent-liability, private-return, or service-quality assumptions. Those inputs require annual updating and ex-post validation before budget decisions are finalized.

4.1.5 Qualitative Findings: Enabling Conditions and Mechanisms

Thematic analysis of KII and FGD data produced four primary enabling themes that explain when and how BF and EB translate into competitive public service outcomes.

Political commitment and executive leadership emerged as the most consistently cited enabling condition. In OPDs where the regional head (Bupati or Walikota) had personally championed blended financing and budget innovation as governance priorities, subordinate units reported significantly higher BF and EB scores in the survey. They described implementation momentum absent in the comparator units. This finding resonates with Moore's (1995) concept of the authorizing environment and with empirical work on public sector innovation leadership (Walker et al., 2011).

Inter-agency coordination capacity was the second most prominent theme. Several interviewees described the integration of BF instruments with EB processes as requiring sustained negotiation across Bappeda, BPKAD, and program OPDs three organizational units with distinct institutional logics, planning cycles, and accountability frameworks. OPDs that had invested in cross-functional coordination mechanisms joint budget review teams, shared performance dashboards reported smoother integration and faster realization of the efficiency gains projected in the BIA.

Community co-production constituted a third enabling mechanism, particularly for service delivery reforms in health and education OPDs. BF instruments that incorporated community matching contributions whether in-kind labor, local materials, or small financial co-payments generated measurable increases in service utilization and satisfaction, consistent with the co-production literature (Osborne et al., 2016). EB practices that incorporated community-defined service standards into outcome targets amplified this effect.

Regulatory and procedural flexibility was the fourth theme, operating primarily as a constraint rather than an enabler. Multiple informants identified procurement regulations (Government Regulation No. 16 of 2018 on Government Goods and Services Procurement) and budget execution rules as impediments to realizing the full potential of entrepreneurial budget practices. Regions that had obtained specific regulatory dispensations or operated under pilot flexibility arrangements showed significantly higher EB scores, reinforcing the institutional moderation hypothesis (H5 and H6).

4.2 Discussion

4.2.1 The BF–EB Synergy: Theoretical Elaboration

The central SEM finding is a mediation and sequencing pattern: PBF is associated with EB, and EB partially mediates the PBF–PPSC association. This pattern is consistent with practical complementarity between resource mobilization and allocation, but it is not statistical evidence of synergy because the model contains no PBF × EB interaction. A formal claim of super-additivity would require an interaction term, configurational design, or program-level comparison against an explicitly additive counterfactual.

This interpretation is consistent with the dynamic capabilities perspective (Teece et al., 1997), which distinguishes between resource acquisition and resource deployment as conceptually distinct organizational capabilities. The finding that governance capacity moderates the EB–PSC relationship suggests that EB's deployment capability requires organizational absorptive

capacity defined here as the routines, skills, and incentive structures through which budget managers convert EB flexibility into actual service innovation to translate into competitive outcomes. Without that capacity, EB tools may be formally adopted without generating the behavioral changes that produce PSC improvements.

4.2.2 CBA and BIA as Methodological Contributions

The integration of CBA and BIA into a mixed-methods public administration study constitutes a methodological contribution that warrants independent discussion. CBA provided the economic rationality anchor for the study's policy claims: the BCR findings establish that the BF–EB portfolio is not merely administratively innovative but economically efficient, passing the fundamental public investment test of returning more benefit than cost. BIA provided the fiscal sustainability complement: by projecting forward the budgetary consequences of the integrated framework, it demonstrates that the short-run costs of reform generate long-run fiscal space a crucial argument in fiscal environments where budget offices routinely resist reform initiatives perceived as adding expenditure pressure.

The two analytical tools operate on different time horizons and answer different policy questions: CBA asks whether the investment was worth making (ex post rationality). In contrast, BIA asks whether the reform is fiscally sustainable if scaled (ex ante fiscal planning). Their combination in a single empirical study provides a more complete fiscal evidence base than either tool alone. Future public administration research particularly in the areas of fiscal decentralization, public sector innovation, and social policy reform would benefit from adopting this dual-tool analytical architecture.

4.2.3 Implications for Indonesian Decentralization Policy

The study's findings carry direct implications for Indonesia's evolving decentralization policy framework. The Omnibus Law on State Finance (2022) and the National Medium-Term Development Plan (RPJMN) 2025–2029 both identify subnational fiscal innovation as a priority. However, they lack operational frameworks for how regional governments should sequence and combine reform instruments. This study's hierarchical model institutional alignment first, then governance capacity building, then BF deployment, then EB integration offers such a framework, grounded in evidence from a specific regional context.

The BIA estimate that Year-5 expenditure under full integration could be 17.5% below the modeled baseline is relevant as a scenario for local planning, not as an observed five-year outcome. It should not be extrapolated to national transfer savings or other provinces until the underlying assumptions are validated with longitudinal implementation data and the model is externally replicated.

5. Conclusion

This study examined associations among officials' perceptions of BF readiness/practices, EB, and public service competitiveness in 14 selected OPDs of the North Sulawesi Provincial Government and Manado City Government, and considered descriptive CBA evidence and prospective BIA scenarios. The results are bounded to this sampling frame and do not represent all district/city governments in North Sulawesi.

PBF and EB each show positive respondent-level associations with PPSC, while EB partially mediates the PBF–PPSC association. Institutional alignment and governance capacity condition the respective paths. These results support mediation, moderation, and a

theoretically plausible sequencing mechanism; they do not directly establish a super-additive PBF × EB synergy or organizational-level causal effects.

The integrated BF + EB pilot category records a BCR of 3.27, and the reform-program portfolio excluding the conventional comparator records a BCR of 2.74 versus 1.37 for the descriptive comparator. Because matching is limited, these differences should not be interpreted as causal treatment effects. The BIA projects that Year-5 expenditure under full integration could be 17.5% below the modeled baseline; this is a scenario-dependent point estimate, not an observed cumulative five-year saving.

Several limitations constrain inference. The survey is cross-sectional, uses a common official-report source, and contains 218 respondents nested in only 14 purposively selected OPDs; no within-unit agreement test, aggregation, or multilevel model was applied. The retained manuscript dataset does not include an auditable OPD-by-OPD respondent allocation, which prevents fuller disclosure of the cluster composition in this revision. PBF measures perceived readiness/practices rather than transaction volume, and PPSC does not directly observe citizen satisfaction, waiting time, or audited unit cost. The CBA comparator is not a causal control and monetized benefits remain sensitive to valuation and possible program-selection differences. Program-level willingness-to-pay inputs, welfare weights, valuation overlap checks, and uncertainty intervals were not available in a form that permits independent reproduction; accordingly, the CBA is treated as exploratory rather than causal evidence. The BIA is prospective and depends on adoption, mobilization, cost, financing, liability, and service-quality assumptions that are not fully recoverable from the retained source file. Future research should collect transaction-level BF metrics, citizen and administrative performance outcomes, more OPD clusters, longitudinal observations, and an explicit BF × EB interaction or configurational test.

Within these limitations, the study provides context-specific evidence that perceived fiscal innovation and entrepreneurial budgeting are associated with perceived service competitiveness and offers a transparent basis for piloting and validating an integrated reform approach in the participating governments.

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