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Decentralised Provision of Quasi-Private Goods: The Case of Colombia

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This paper quantifies the welfare effects of decentralisation in Colombia, using a multiregional CGE model. We investigate to what extent will the Colombian population be better off when goods such as health and education, are delivered locally as against centrally. A provision scheme based on the median voter is considered. According to the results, the provision of health and education by regional governments improves the welfare of the Colombian population as a whole, since regional governments provide goods and services in a way that better caters to local preferences. More importantly, these welfare gains vary from 1.3% to 2.3% of GDP, a substantial magnitude especially when compared with the efficency gains associated to the tax reforms of the early nineties. Keywords: Decentralisation, applied CGE modelling, quasi-private goods.

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