Cuadernos de Historia Económica - Long-Term Impact of Territorial Division on Municipal Poverty

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AUTHORS AND/OR EDITORS Bonet-Morón, Jaime Alfredo Ayala-García, Jhorland Guerra-España, Jorge
Municipalities that became part of new departments do not exhibit substantial differences in their poverty indicators compared to those that remained in their original departments. This suggests that the creation of new territorial entities, by itself, does not guarantee improvements in local economic development.

Publication Date: Friday, 7 of November 2025 **Approach**
This study examines a key question for territorial policy in Colombia: Does dividing the country into more departments make sense as a strategy to reduce poverty and foster local economic development? Throughout Colombian history, new departments have been created under the premise that greater autonomy would allow for better attention to the needs of marginalized regions. To assess whether this idea holds merit, this paper compares municipalities that were incorporated into new departments with those that remained in their original entities. Based on a historical review of territorial divisions in the country since 1886, the study employs a geographic regression discontinuity design to estimate the impact of territorial division on current poverty indicators, such as the Unsatisfied Basic Needs Index (NBI) and the Multidimensional Poverty Index (MPI), using data from the 2018 National Population and Housing Census.

Contribution
This research offers a rigorous and novel perspective on a topic that remains relevant in Colombia's public debate: the creation of new departments as a solution to structural problems. Unlike previous studies that focus on specific cases or the immediate effects of decentralization, this work centers on the long-term impacts of territorial divisions. Moreover, it connects with international literature discussing the optimal size of countries, the efficiency of decentralization, and the historical persistence of regional inequalities. By incorporating historical evidence and applying a robust methodology, the study helps determine whether administrative reorganizations have truly contributed to economic development or, conversely, whether their effects have been neutral. This contribution is particularly valuable in a context where proposals to create new departments—such as the recent cases of "Surcaribe" and "Litoral Pacífico"—continue to emerge.

Findings
The study's findings show no significant long-term effects of territorial division on municipal poverty levels. That is, municipalities that became part of new departments do not exhibit substantial differences in their poverty indicators compared to those that remained in their original departments. This suggests that the creation of new territorial entities, by itself, does not guarantee improvements in local economic development. The evidence indicates that other factors—such as institutional capacity, effective public investment, and social cohesion—may be more decisive for regional progress. In this regard, the study invites reflection on the need to complement any territorial reform with policies that strengthen public management and reduce structural inequalities.

Fuente: https://www.banrep.gov.co/en/publicaciones-investigaciones/cuadernos-historia-economica/long-term-impact-territorial