

The effect of devolution on economic development in marginalized areas is a widely debated topic in economic literature. Economists such as Oates (1972) are of the view that devolution improves the efficiency of the public sector and it leads to economic development. This study analyses the effect of effects of devolution on economic development. Development of marginalized areas in Kenya is based on the time series annual data covering the period 2013-2021. The study has been prompted by conflicting findings from previous studies. The measure of devolution that was used in the model is devolved finance. It is observed that majority of the devolved funds are matching grants and as such sub-national governments can do very little to allocate funds to key priority areas within their jurisdictions. A notable example of such conditional grants is the Constituency Development Fund which is allocated to constituencies with a pre-determine formula on how to spend the funds neglecting specific needs and priorities in specific areas.

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