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Development Finance for Food and Nutrition Security: Re-examining the Nexus

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This Policy Brief examines the evolving relationship between food and nutrition security (FNS) and development finance against a backdrop of worsening global FNS trends and the fast-approaching 2030 Agenda deadline. It focuses on key sources of development finance, namely remittances, foreign direct investment, official development assistance, and food aid, and brings together insights from the existing empirical literature. A central message of the Brief is that not all financial flows affect FNS in the same way. The composition of development finance matters, as different types of flows generate different outcomes depending on context. At the same time, governance quality plays a critical role in shaping these outcomes. Recent empirical evidence shows that institutional factors influence both the direction and the strength of the relationship between development finance and FNS, highlighting the importance of considering governance alongside the heterogeneity of financial flows in both research and policy discussions.

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A Changing Global Context for Development Finance

The global development landscape is entering a period of heightened uncertainty and volatility, with important implications for development finance. A combination of economic shocks, the lingering effects of the COVID-19 pandemic, intensifying geopolitical tensions, and shifting political priorities has placed increasing strain on the global financing architecture. In this context, the Fourth Financing for Development Conference held in Seville in July 2025 sought to reinvigorate international commitment to the Sustainable Development Goals (SDGs) and the broader 2030 Agenda. While the conference generated renewed political attention, its outcomes highlight the need for a more pragmatic and results-oriented approach to development finance. This urgency is reinforced by recent shifts in Official Development Assistance (ODA), including significant changes in US development policy, such as the dismantling of USAID and the reorientation of priorities under the Trump Administration (Klingebiel *et al.*, 2025; Boussichas *et al.*, (2025); Mavrotas, 2025). Together, these developments signal a more constrained and uncertain financing environment moving forward.

Food Security and Nutrition (FNS) Under Growing Pressure

FNS are among the areas most vulnerable to these shifts. Global hunger has increased markedly in recent years, with Sub-Saharan Africa (SSA) experiencing the most severe deterioration. Progress has stalled following the setbacks of the COVID-19 pandemic, and levels of undernourishment remain persistently high. In 2023, between 713 and 757 million people were affected by hunger, representing approximately one in eleven people globally and one in five in Africa (FAO *et al.*, 2024). The outlook is expected to worsen further in the current global context. Ongoing geopolitical tensions, particularly the US–Israel–Iran conflict, are likely to have significant ripple effects on global food systems through rising energy prices and economic instability. Projections from the World Food Programme (WFP) suggest that an additional 45 million people could fall into acute food insecurity if the conflict persists and oil prices remain elevated, adding to the approximately 318 million people already affected (WFP announcement, 17 March 2026, Rome). These developments underscore the urgency of strengthening the financing of food systems.

How Development Finance Links to Food Security

Development finance plays a central role in shaping FNS outcomes through multiple, interconnected channels. It can enhance food availability by supporting agricultural productivity, rural infrastructure, irrigation, research and development, and trade logistics. It can also improve access to food by fostering income growth, strengthening social protection systems, and facilitating market integration. In addition, development finance contributes to better food utilization through investments in health, water, sanitation, and nutrition-sensitive services. Finally, it strengthens the stability of food systems by building resilience to climate shocks, conflict, and price volatility. This broader conceptualisation aligns with recent UN-led efforts to define FNS financing as encompassing a mix of public and private, as well as domestic and external, financial resources directed towards addressing hunger, malnutrition, and access to healthy diets (FAO *et al.*, 2024).

The Deterioration of FNS Trends and a Fresh Look at the FNS–Development Finance Nexus

The worsening trajectory of FNS indicators has renewed attention on the relationship between development finance and FNS outcomes. As the 2030 deadline approaches, it has become increasingly clear that existing financing approaches are insufficient to reverse current trends. Recent empirical research points to the importance of recognising the heterogeneity of development finance. Different types of financial flows, including aid, foreign direct investment, and remittances, affect FNS in distinct ways. At the same time, growing evidence highlights the critical role of governance quality in shaping these outcomes. Institutional factors influence how effectively financial resources are translated into improvements in FNS. Taken together, these insights suggest that a combined focus on the composition of financial flows and the quality of governance provides a more nuanced understanding of the development finance–FNS nexus (Cassimon *et al.*, 2022). It needs also to be stressed that a relatively underexplored dimension in the FNS literature has been the complex nexus between development finance, broadly defined, and FNS, particularly in vulnerable regions such as SSA. In recent years, however, this nexus has emerged as a central concern in development policy, as global hunger, food insecurity, and malnutrition have remained persistently high despite decades of progress in foreign aid, agricultural modernisation, and multilateral interventions in the SSA region. At the same time, the emerging empirical literature has begun to provide valuable insights into the mechanisms through which the development finance–FNS nexus operates in SSA, shedding light on both its potential and its limitations.

Remittances and FNS

Remittances have emerged as an important source of financing with significant implications for food security particularly in SSA. Empirical evidence indicates that remittance inflows contribute positively to both food and nutrition outcomes. Their impact, however, is not uniform. Governance quality plays a crucial role in amplifying these benefits. Countries with stronger institutional frameworks are better able to translate remittance inflows into improved food security outcomes. The interaction between remittances and governance has been shown to generate particularly strong positive effects, highlighting the importance of complementary policies and institutions (Ogunniyi *et al.*, 2020).

FDI & FNS: A Complex Relationship

The relationship between foreign direct investment (FDI) and food security is more complex and less conclusive. While some evidence points to positive effects, particularly in terms of productivity and market development, other studies highlight potential risks, including displacement effects and unequal distribution of benefits. A key lesson from recent research is the importance of disaggregating FDI into its different forms to better understand its impact. Moreover, governance once again emerges as a decisive factor. In countries with strong institutions, FDI can support improvements in food security. In contrast, in contexts characterised by weak governance and corruption, its effects may be limited or even negative These findings suggest that governance should be viewed as a central mediating factor in the relationship between external capital flows and FNS (Cassimon *et al.*, 2022).

The Debate on Food Aid and FNS

The impact of food aid on FNS has long been a subject of debate, with no clear consensus emerging in the literature. While a substantial body of work has raised concerns about its effectiveness, highlighting the potential for adverse long-term effects, more recent studies offer a more nuanced perspective. In particular, they emphasise the importance of context, as well as the design and implementation of food aid programmes, in shaping outcomes. Empirical studies, particularly those based on panel data from SSA, suggest that food aid can have positive effects on food security and nutrition outcomes, including reductions in undernourishment. At the same time, governance factors, especially control of corruption and political stability, are critical in determining the extent of these benefits (Cassimon *et al.*, 2023).

FNS Financing: Key Policy Challenges

Significant challenges remain in financing FNS in an increasingly uncertain global environment. One of the central debates in the post-Seville context concerns the appropriate strategic focus for development finance. On the one hand, there is continued emphasis on closing financing gaps to achieve the SDGs. On the other hand, there is growing recognition of the need to rethink the role of development finance in supporting broader structural transformation. Recent contributions highlight the importance of a more active role for the public sector, particularly in light of the private sector's limited success in mobilising sufficient resources for sustainable development (Mazzucato 2025; Cassimon and Mavrotas 2025a; Mavrotas 2025). A renewed model of public–private collaboration, embedded within a mission-oriented framework, is increasingly seen as essential advancing the SDGs agenda (Mazzucato 2025). Earlier work by the World Bank *et al.* (2021), conducted in response to disruptions caused by the COVID-19 pandemic, also identifies key priorities for transforming food systems financing. These include improving the targeting of public support, integrating broader risks into financial decision-making, scaling appropriate financial instruments, ensuring equity in food systems, and strengthening governance and resilience. Further discussion can be found in World Bank *et al.* (2021); and Cassimon and Mavrotas (2026).

Broader Structural Issues in Development Finance

Addressing FNS financing challenges requires also engagement with broader structural issues in the broad development finance system. These include the overall architecture of development finance (OECD, 2025), the allocation and use of Special Drawing Rights (SDRs) (Oxfam, 2024; Zattler, 2024), and the evolving role of multilateral development banks (MDBs), alongside ongoing debates on their reform (Walle, 2025; Lee and Matthews, 2024; Bartzokas, 2023). Challenges related to the governance and effectiveness of ODA also remain highly relevant in this context.

Illicit Financial Flows and Food Security

Finally, in a context of tightening aid budgets and growing financing needs, the role of Illicit Financial Flows (IFFs) deserves greater attention. Although the relationship between IFFs and food security is indirect, it operates through several important channels. IFFs reduce government revenues through mechanisms such as tax evasion and trade mispricing, thereby limiting the fiscal space available for investment in agriculture, research, and rural development. This, in turn, undermines food production and availability. At the same time, IFFs contribute to rising income inequality, making it more difficult for vulnerable populations to access nutritious food. Addressing IFFs therefore represents a significant opportunity to mobilise additional resources for the 2030 Agenda, including efforts to strengthen FNS (Cassimon and Mavrotas, 2025b).

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