International Water Management Institute

SUBMISSION TO THE STANDING COMMITTEE ON FINANCE
2026 Forum on Financing Climate Action in Water Systems and the Ocean
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Introduction

The International Water Management Institute (IWMI) welcomes this opportunity to contribute to the 2026 SCF Forum. As research for development center with over four decades of evidence-based research on water-food-energy-environment systems, IWMI asserts that climate-resilient water management is not merely an environmental imperative but a fundamental economic necessity that delivers measurable returns across multiple sectors.

The Economic Case for Investment in Water Systems

Investment in water infrastructure and climate-resilient water systems delivers exceptional returns:

- Every dollar invested in delivering basic water, sanitation, and hygiene brings **returns of 21 times their cost** (WaterAid, 2021)
- In Africa, every $1 spent returns **$7**, and adequate funding could boost GDP by 5%, resulting in an **annual economic gain of $200 billion** (Africa Water Investment Programme, 2023)
- Achieving universal safely managed WASH is estimated to generate approximately **$86 billion annually** in higher productivity and lower healthcare costs (WaterAid, 2021)
- Climate finance is still largely mitigation-focused, with adaptation receiving only a fraction of total flows despite an **estimated annual adaptation finance gap of US$284–339 billion**—around 12–14 times current international public adaptation finance—highlighting chronic underfunding for water, oceans, and agriculture (UNEP Adaptation Gap Report, 2025).
- Each dollar invested yields at least **$2.50 in output**, stimulates construction, services, and manufacturing sectors, and generates **more than 16 jobs per $1 million invested** (World Economic Forum, 2025)

IWMI's economic case for water investments extends beyond these metrics to wider concepts of de-risking economies through systems thinking—enabling smarter responses via better evidence—and harnessing AI for optimized investment choices across interconnected sectors.

Beyond infrastructure, investments in water resilience—including early warning systems and data systems, nature-based solutions, circular economy approaches, pollution prevention, and climate adaptation measures—deliver substantial economic and social protection, stabilising economies by:

- **Protecting agricultural productivity:** Average yields on irrigated fields can be 90 percent higher than on nearby rainfed ones, and access to groundwater alone could increase agricultural output by 28–130 percent in Sub-Saharan Africa—protecting agricultural productivity through such measures (World Bank, 2024)
- **Safeguarding Water through Efficient Irrigation**: Improvements in irrigation efficiency can increase crop yields by 20–40% while reducing water use by up to 30% (IWMI, 2022)
- **Ensuring industrial continuity:** Reliable water supplies reduce operational disruptions that cost industries billions of dollars each year (Global Commission on the Economics of Water, 2023)
- **Safeguarding energy production:** Approximately 90% of global power generation depends on water availability (United Nations World Water Development Report, 2023)
- **Avoiding catastrophic losses:** Without action, water scarcity could reduce global GDP by up to 8% by 2050, with losses reaching 15% in low-income countries (Global Commission on the Economics of Water, 2024)

Climate-resilient water systems provide particularly strong protection against climate shocks:

- Climate-resilient water infrastructure can reduce economic losses from water-related disasters by 60-70%, protecting GDP growth in vulnerable regions (World Bank, 2022)
- The water crisis puts at risk **more than half of the world's food production by 2050** (Global Commission on the Economics of Water, 2024)

Key Recommendations Across Forum Sub-themes

1. Key Enablers and Opportunities

Integration of water-climate finance mechanisms must recognise water's role as both an impacted resource and solution to climate change.

Blended finance approaches have proven effective in mobilising private investment alongside public funds, achieving substantial cost reductions while ensuring climate

resilience and equity. Funders prioritizing water secure dual benefits, unlocking scalable resilience across sectors (agriculture, energy, ecosystems).
IWMI hosts the secretariat for the Global Commission on the Economics of Water (GCEW) and is actively advancing key recommendations from their *Turning the Tide* report, including enhanced financing for water resilience.

2. Role of Different Finance Actors
Development banks and climate funds should prioritise water investments that explicitly integrate climate resilience, ensuring infrastructure is designed to withstand future climate risks and avoid costly long-term losses. Mitigation and adaptation finance streams must be better aligned with water security objectives to build comprehensive climate resilience. Public finance institutions play a critical role in mobilising private capital by reducing investment risks through instruments such as guarantees, first-loss capital, and concessional co-financing. Scaling blended finance approaches for climate-resilient water systems is essential to unlocking private capital and accelerating adaptation and sustainable development outcomes.

3. UNFCCC Finance Mechanism Integration
Better alignment and integration of UNFCCC finance mechanisms—including the Green Climate Fund (GCF), Adaptation Fund, and Global Environment Facility (GEF)—with water security objectives is essential for scaling climate-resilient water investments. Strengthening coordination between UNFCCC mechanisms and other multilateral climate funds can avoid fragmentation and ensure complementarity, while prioritising programmatic approaches that bundle water investments with energy, agriculture, and ecosystem interventions reflects water's systemic importance across sectors. Enhanced coherence across UNFCCC finance mechanisms can unlock greater investment flows while reducing transaction costs for recipient countries seeking to translate NDC water commitments into funded projects.

4. Integrating Water into National Frameworks
Current NDCs significantly underrepresent water investments. IWMI analysis reveals that **water-related adaptation measures appear in 93% of NDCs but receive only 11% of climate finance flows**. This disconnect undermines achievement of both climate and development goals.
IWMI's Water Resilience Team (WRT) directly supports countries in embedding water security within climate policies, translating NDC commitments into actionable implementation plans, and building national capacity through targeted climate finance training programs. This technical assistance has proven critical in bridging the gap between policy commitments and investment flows.

5. Inclusive Financing

Gender-transformative approaches and community ownership strengthen water investment outcomes. Evidence shows:

- Water projects in which women have leadership and decision-making roles demonstrate markedly improved sustainability outcomes (World Bank Gender Strategy 2024–2030)
- Indigenous knowledge integration reduces implementation costs while improving local adaptation outcomes (IPBES, 2021)
- Youth engagement in water innovation creates employment while building long-term resilience: IWMI's **Strategy 2024–2030** positions **gender, youth, and social inclusion** as core strategic pillars for water security research and innovation, aiming to create space for youth voices in water governance and practice.

Partnerships between research institutions, NGOs, and communities demonstrate that inclusive financing models can deliver both equity and efficiency gains.

6. Simplifying Access to Finance

Complexity remains a critical barrier:

Complex and fragmented access requirements remain a major barrier to scaling climate-resilient water investments, particularly in climate-vulnerable countries. Coordination is key – internally within climate finance mechanisms, across ministries, and between climate and other funding streams. Developing bankable water projects typically requires 18–24 months and highly specialised expertise that is often not available at the national or subnational level; yet these alone will not resolve broader water challenges, such as high-water consumption in other sectors beyond just infrastructure. Simplifying and standardising project preparation processes—through harmonised frameworks, model documentation, and pre-qualified project designs—could reduce preparation timelines, significantly accelerating investment flows. In parallel, regional climate finance facilities with dedicated water windows can play a critical role in improving access for small- and medium-scale projects essential for local intersectoral adaptation.

7. Innovative Financial Instruments

Innovative financial instruments are emerging as effective tools for scaling climate-resilient water investments while managing risk and improving efficiency. Emerging options include water credits, which monetise water savings and resillience gains, and water co-benefits integrated into carbon credits. Instruments such as water resilience bonds and results-based

financing can align financial returns with measurable resilience outcomes. Payment-for-ecosystem-services schemes can gain renewed relevance when bundled wth innovative financial instuments. Together, these instruments demonstrate how innovative finance can strengthen water resilience while attracting a broader range of public and private investors.

8. Strategic Partnerships for Scaled Impact

Partnerships are essential to translating climate finance into inclusive, scalable, and durable water resilience outcomes. IWMI works through multi-actor partnerships that bridge research, policy, finance, and community implementation, ensuring that investments are both evidence-based and socially just.

A flagship example is the Just Water Partnerships, co-led by WaterAid and IWMI. First proposed by the Global Commission on the Economics of Water (GCEW), Just Water Partnerships are national coordination platforms embedding justice, equity, and climate resilience in water finance. These bring governments, civil society, partners, and researchers together to align priorities with inclusive financing for marginalized groups like women, youth, and vulnerable populations.

These collaborative models demonstrate how partnerships can accelerate access to finance and ensure that climate investments in water systems deliver lasting social and economic returns, building on a set of principles agreed through a multilateral stakeholder process completed during 2025

Conclusion

Climate-resilient water systems are high-return investments that deliver environmental, social, and economic dividends. The Global Commission on the Economics of Water warns that inaction could cost the global economy 8% of GDP by 2050, with the most vulnerable countries bearing disproportionate losses.

The SCF Forum must catalyse the systemic integration of water into climate finance architectures, simplify access for vulnerable countries, and mobilise the investment needed to achieve water security for all in a changing climate.

IWMI stands ready to support the SCF with technical expertise, evidence synthesis, and partnership facilitation.

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