

Interactive Dialogue on Investments for Water

Mobilizing Finance, Fostering Innovation, and Strengthening Capacity Development to advance Water Security Investments – High Level Preparatory Meeting, Dakar, Senegal, 26-27 Jan 2026

1. Context and Challenge

The water sector¹ faces a staggering funding gap with over 1 trillion per year needed to meet SDG targets by 2030 but only \$0.164 trillion spent per year. This chronic underinvestment undermines economic growth, job creation, food and environmental security and overall human development. Because water underpins most SDGs, tackling these challenges should be treated as a cross-sector priority. However, public spending on water in developing economies stands at 0.24% of GDP and private investment remains minimal (under 2% of water investments in low- and-middle income countries (LMIC) and climate finance for water accounts for less than 3% of total flows.

2. What is Needed in the Sector

Rather than the lack of capital, regulatory uncertainty, limited project-preparation capacity, and weak enabling environments hinder both public and private financing. Supporting sector reforms and cross-sector coordination, improving water management frameworks and investment planning, enabling strategic investment de-risking, and fostering technological and delivery model innovation are examples of how investments that expand water service access and foster sustainable irrigation can be scaled. Also, investing in strategic capacity development is essential to crowding in finance for water, as it supports enhanced governance, reduces investment risk, and underpins the knowledge base required to deliver SDG 6 as a global public good.

The high-level preparatory meeting in Dakar will provide a platform for exchanging ideas, shaping initiatives and setting ambitious goals that will accelerate investments in water security. This effort focuses on **water security** across the pillars of Water for People, Water for Food, and Water for the Planet.

By building a **multi-stakeholder coalition of public, private, and philanthropic partners**, the effort will focus on sector reform, capacity development, coordinated advocacy, technical expertise and innovation to unlock more public and private financing. Partners aim to align and scale programs to improve water access and security, irrigation and resilience, for up to **1 billion people by 2030**.

Scaling investments, developing capacity and fostering innovation will require a combination of enabling elements:

a. Foundational reforms that support water systems economic viability, enable cross-sectorial benefits, and enhance sector capacity:

- Policy, regulatory, and institutional reforms to improve governance, unlock economic value, plan investments, ensure regulator autonomy, and target subsidies and support taxes to fund investments.
- Leveraging cross-sectorial nexuses, positioning water investment at the center of national resilience strategies, linked to its impact on other sectors (e.g., energy, agriculture, industrial development etc.), while unlocking additional revenue streams through such cross-sectorial coordination.
- Enhancing utilities and rural water districts creditworthiness through governance, cost-reflective tariffs, operational and financial performance, transparent accounts, and fiscal decentralization.
- Sector-wide capacity development, including key water-dependent sectors on PPPs, bankable project preparation, creditworthiness and financial literacy.

Governments committed to reforms and investments could articulate such plans under **Country Water Compacts**.

b. Strategic use of funding and financing to enhance impact:

- Prioritize public funding for universal coverage, vulnerable communities, and high-risk investments, while enhancing efficiency and impact of investments.
- Invest in project preparation facilities and capacity development to support well-designed solutions with long-term sustainability, capturing synergies through coordination across stakeholders.
- Investments in technology and innovation, enhancing operational efficiency and unlocking new business models and revenue streams for water and water-dependent sectors.

¹ Across this note, water sector refers to Water Resources management, WASH, irrigation, drought and flood management
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- Expansion of local currency markets via national development banks, local water financing facilities, and innovative concessional/grant instruments designed to mitigate currency risk.
- Leverage grants, public finance, and innovative structures to de-risk investments and attract private capital, while supporting service affordability, along with the deployment of result-based financing.
- Explore innovative instruments to support climate-resilient rural water infrastructure, nature-based solutions and ecosystem services, along with the mobilization of climate finance.

*Potential goal of **doubling public spending on water in LMIC to 0.5% of GDP** and leverage public spending to mobilize private capital at scale.*

c. Capacity development and technology implementation to create investment opportunities:

- Strengthening water service providers' financial sustainability, developing capacity for budgeting and long-term planning, combined with digital accounting and billing systems.
- Reducing risks and inefficiencies through technologies and training on asset management, maintenance planning, smart meters, smart-irrigation, water systems efficiency and leak detection.
- Developing capacity development tools across the water ecosystem and related sectors to foster sector/technical knowledge, innovation, entrepreneurship, financial literacy, and resiliency planning
- Integrating capacity development as an investable public good within water and blended-finance programs to enable bankable SDG 6 projects and scalable, data-driven water service models.

Focus on capacity development and training organized to foster innovation, entrepreneurship, understanding of the water sector and the preparation of bankable projects.

d. Development of bankable projects:

- Facilitate cross-sectoral upstream planning to prioritize and originate bankable, technically sound, and sustainable water investments.
- Use of public-private partnerships (PPPs) for projects where tariff or off-take agreements enable commercially viable models (e.g., industrial and high value crop water reuse); performance-based contracts in high saving potential areas (e.g., NRW reduction, energy efficiency, smart irrigation).
- Implementation of innovative project structures such as joint ventures, long-term partnerships with water off-takers, and revenue securitization to support project bankability.

Acceleration of bankable projects and programs leveraging private expertise and innovation.

3. Guiding Questions and Focus for Dakar

Following questions will set the strategic direction for this Interactive Dialogue through key discussions in Dakar:

- **Ambition:** How can we work toward creating ambitious, achievable targets for increased investment across each of the identified enabling elements?
- **Reforms:** How can more governments support the enabling conditions to increase investments, including a focus on higher tariffs and taxes to support such investments? What reforms would support more efficient deployment of public funds?
- **Combining funding sources:** Which successful financing models could be scaled up in the sector, including those that leverage cross-sectoral benefits? Which innovative de-risking instruments, including local currency solutions, could be deployed to support private participation in the water sector?
- **Technologies and innovations to increase investments:** Which innovative service delivery models and/or technologies can be scaled in the sector? What technologies and innovations have been successfully used to improve water service providers' performance? What support is needed to accelerate their deployment?
- **Capacity development, Knowledge Exchange, and Investment Readiness:** What are the best approaches to strengthen capacity across the water sector and water-impacted sectors to foster performance, sector knowledge and project preparation and implementation skills? How can capacity development initiatives be designed to generate short-term impact and accelerate investment readiness? What mechanisms can enable ongoing knowledge exchange, peer learning, and South-South/triangular cooperation on successful financing, de-risking strategies, and project structuring?