

THE LITTLE ROCK ACCORD

MEMORANDUM OF UNDERSTANDING FOR THE ESTABLISHMENT OF THE GLOBAL LEADERS FOR CLIMATE AND SUSTAINABLE DEVELOPMENT FINANCING ACTION INITIATIVE

December 17, 2012

BETWEEN

The association CLUB DE MADRID PARA LA TRANSICIÓN Y CONSOLIDACIÓN DEMOCRÁTICAS, Tax ID Number G-83378000, resident in Carrera de San Jerónimo 15, 3º B, 28014 Madrid (SPAIN) (hereinafter “the Club de Madrid”) represented by, Mr. Carlos Westendorp, Secretary General of the Club de Madrid.

AND

The P80 Group Foundation, Inc., a Delaware corporation, resident in 16192 Coastal Highway, Lewes, DE 19958 (hereinafter “the P80 Group Foundation”) represented by, Mr. Eugene Yun, Managing Director of the P80 Group Foundation.

Hereinafter “the Parties”

I. INTRODUCTION

During its XI General Assembly held today, 17 December 2012, in Little Rock, Arkansas, USA the Club de Madrid favorably considered and agreed to join forces with the P80 Group Foundation in pursuing the establishment of the Global Leaders for Climate and Sustainable Development Financing Action Initiative; as a means of furthering their commitment to address the challenges of climate change and the increasing shortages of key resources needed for development, including energy, water, food and clean air.

Drawing on the leadership and best practice experience of the Club de Madrid Members - more than 90 democratic former Heads of State and Government from over 60 countries - and building upon the work of HRH the Prince of Wales's P8/P80 Group of institutional investors, as well as the Club de Madrid's own work in the *Global Leadership for Climate Action (GLCA)*, a joint initiative of the UN Foundation and the Club of Madrid committed to addressing climate change challenges through the pursuit of an effective, efficient and equitable post 2012 climate regime, the Club de Madrid and the P80 Group Foundation propose the creation of a new task force - the *Global Leaders for Climate and Sustainable Development Financing Action* - that will act to mobilize political will to increase the role of public and private sector finance, more specifically that of pension and sovereign wealth funds, in driving low carbon, climate resilient, sustainable growth, especially in developing countries. Such finance is essential to profitably deploy existing technologies and address increasing shortages of key resources needed for development, including energy, water, food and clean air.

In close collaboration with selected experts and advisors and through this initiative, Club de Madrid Members, will work to strengthen and support the implementation of the P80 message on the development of possible solutions to climate and sustainable development financing through both the public and private sectors. Solutions such as those being proposed by the UK Department for International Development, the Asian Development Bank, the International Finance Corporation, the Inter-American Development Bank, the African Development Bank, and the World Bank. The *Global Leaders for Climate and Sustainable Development Financing Action* task force will also work to ensure that opportunities for further investment and the removal of barriers to large-scale capital deployment are catalyzed.

The *Global Leaders for Climate and Sustainable Development Financing Action* task force will be the main vehicle through which the project of the same name will operate, provided sufficient funding is secured to cover its direct and indirect operational costs.

II. BACKGROUND

Between 2007 and 2009 the Club de Madrid and the United Nations Foundation worked hand in hand to mobilize political will and invigorate international negotiations towards the achievement of an effective, efficient and equitable post-2012 agreement on climate change. Building on the leadership experience of the Members of the Club de Madrid and the knowledge and expertise of the United Nations Foundation, the GLCA brought together six former heads of state, seven former heads of government, and 12 leaders from intergovernmental organizations and business and civil societies, from more than 20 countries. The GLCA was co-chaired by former Chilean President and then Club de Madrid President Ricardo Lagos, and United Nations Foundation President and former U.S. Senator Timothy E. Wirth and facilitated by Mohamed T. El-Ashry, Former CEO and Chairman of the GEF.

Throughout this exercise, the Club de Madrid and UN Foundation drew upon their networks to secure broad and inclusive input from governments, business, academia and civil society that informed GLCA deliberations and output. In September 2007, the GLCA task force agreed upon a [*Framework for a Post-2012 Agreement on Climate Change*](#), clearly proposing four negotiating pillars - mitigation, adaptation, technology, and finance – all later reflected in the Bali Action Plan adopted in December 2007 during the UN Climate Change Conference that formally launched negotiations on a strengthened international deal on climate change. Four of the Club de Madrid Members – Ricardo Lagos, Gro Harlem Brundtland, Festus Mogae and Han Seung Soo – went to become UN Special Envoys on Climate Change, directly supporting UN Secretary General, Ban Ki Moon, in the lead up to the COP 13 in Bali until COP 15 in Copenhagen.

At around the same time, between 2007 and 2011, HRH Prince of Wales's P8 Group brought together senior officials from leading public pension funds to discuss the development of actions relating to global issues, including climate change and sustainable development resources shortages.

The first meeting, held in November 2007, discussed the issue of climate change and its impact on the pensions sector. Subsequent gathering held between 2008 and 2011 allowed the pension funds to explore the requirements of public-private partnerships in investment opportunities. In 2009 the first \$300 million green bond investment with the World Bank was announced. Further discussions and negotiations led to the pioneering development of funds by the Asian Development Bank (CP3 Asia) and the International Finance Corporation Catalyst Fund (CF).

In June 2010, the first P80 Summit was hosted by the National Pension Service of Korea in Seoul. This Summit brought together pension funds from the P8 Group with their counterparts from several developing countries and sovereign wealth funds, thus leading the P8 to become the P80, representing several trillion dollars of investable assets.

In 2010 and 2011, Former President Bill Clinton expressed his support for the P80 stating “you are empowered to make a major difference in the future of our planet. Your investments can encourage sustainable economic growth, strengthen global stability, and improve world health and food supply...technologies have already been developed which can create opportunities for growth and tackle climate change, however many companies and projects lack the access to capital needed to implement

their strategies. Developing public-private partnerships that identify market-based approaches to accelerate the deployment of clean technologies is central to the work of my Foundation...and the Clinton Global Initiative.”

The *Global Leaders for Climate and Sustainable Development Financing Action* task force will thus bring the Club de Madrid and the P80 Group Foundation together to build upon the previous work that outlines the scale of investment needed in firms and projects specializing in renewable energy, energy efficiency, water treatment, increased food production and cleaner air to deal with key climate and sustainable development resource shortage issues.

III. PURPOSE

The purpose of this Little Rock Accord and Memorandum of Understanding is to take stock of the agreements reached today between the Club de Madrid and the P80 Group Foundation to define and describe the methodology the Parties will follow to establish the *Global Leaders for Climate and Sustainable Development Financing Action* project and its task force.

IV. OBJECTIVE OF THE GLOBAL LEADERS FOR CLIMATE AND SUSTAINABLE DEVELOPMENT FINANCING ACTION TASK FORCE

Through the *Global Leaders for Climate and Sustainable Development Financing Action* Initiative, the Club de Madrid and its Members will join forces with the P80 Group Foundation to develop a series of activities and recommendations to:

1. Present climate change and growing resource shortages as threats to global and regional socio-economic development and mobilize political will to increase the role of private sector finance, particularly that of pension and sovereign wealth funds (SWFs) in creating innovative financing vehicles and tools to profitably deploy existing technologies that can help address climate issues and increasing shortages of key resources needed for development, including energy, water, food and clean air in a cost-effective manner.
2. Build and foster political acceptance that early and ambitious action to create such innovative financing vehicles and tools will be cost effective, create jobs, drive economic growth, spear competitiveness and economic security and provide good returns on investments.

This effort will lead to the ultimate objective: regulatory and structured support to enable pension funds and sovereign wealth funds to significantly and rapidly use their financial muscle to help provide the financing necessary to profitably deploy existing technologies to address climate challenges and resource shortages, including energy, water, food and clean air. This deployment of capital and technologies should highlight examples of scalable public-private partnerships useful for tackling climate challenges, resource shortages and sustainable development objectives at globally required levels.

Pension funds (and insurance companies) are considered a prime source of potential investment because their long-term horizons are ideal for investing early and consistently in companies and projects that will produce profitable solutions.

The Club de Madrid and its Members are uniquely positioned to support and lend independent, practical, strategic leadership support to this initiative. During its more than 10 years of existence, this unique forum of democratic former Heads of State and Government has offered strategic and independent advice to key

national and international stakeholders, in different areas relevant to the present proposal, among these, Climate Change Negotiations, Universal Access to Clean Energy, and key issues under discussion in the G20 such as food security and innovative financial mechanisms to fund climate action and sustainable development.

The proposal will benefit from the partnerships and expertise the Club de Madrid has developed over the years in those different areas, as well as the expertise developed by its own Members in Climate Change, Energy, Sustainable Development and financing issues.

V. METHODOLOGY

The Club de Madrid will lead the *Global Leaders for Climate and Sustainable Development Financing Action Group* "Task Force" that will be formed by Club de Madrid Members, ensuring geographical representation and a clean energy and sustainable development background. This Group will work with the P80 Group Foundation and other energy, climate, sustainable economic development and financing policy experts and practitioners that will offer their expertise in the area.

The project will be implemented through a variety of actions that have been shown to effectively mobilize political will and support leadership efforts: i) the formulation of recommendations and arguments towards the mobilization of investments that address climate change and sustainable development; ii) targeted peer-to-peer counsel and exchanges with key stakeholders; iii) participation in formal and informal consultations involving international organizations and their representatives, government leaders, political officials and key representatives from Pension Funds; and iv) participation in third party events for broader dissemination of the initiative.

Club de Madrid Member participation in project activities and their peer-to-peer engagement with relevant stakeholders, high-level national government representatives, Pension Funds representatives, SWF representatives and others will facilitate exchanges between political, financial and social actors both at international and national level.

The work of the *Global Leaders for Climate and Sustainable Development Financing Action Group* will be developed over a series of phases and cover different scopes including:

(a) BUILDING ON PREVIOUS WORK:

Working together with the Club de Madrid, the P80 Group Foundation and other potential partners, including the Climate Public Private Partnership Platform (CP3) sponsored by the UK through its International Climate Fund (comprising CP3 Asia being developed by the Asian Development Bank and IFC Catalyst Fund being developed by IFC), aim to catalyze low carbon and sustainable development investments in developing countries. Other Pension related Groups and Associations, such as the GCMAC, IIGCC, INCR, IGCC and various NGOs which have experience in these areas will also be involved. This work will result in a strategy document focused on the key arguments as to why it is wise and economically efficient to catalyze low carbon and sustainable development investments (especially in developing countries). The strategy document will evolve as the project is implemented and meetings with other stakeholders take place.

(b) ADVOCACY:

The Club de Madrid, together with the P80 Group Foundation and other partners, will develop a series of advocacy actions to ensure that regulatory and financial support is in place to enable pension and sovereign

wealth funds to start using their financial muscle to invest in providing the financing necessary to profitably deploy existing technologies to deal with climate issues and help address increasing shortages of key resources needed for sustainable development, including energy, water, food and clean air. These actions could be implemented through:

- (i) **Specific Events** organized for this purpose with particular target audience/participants, including Pension Funds and Sovereign Wealth Funds in various regions to ensure their support to the Climate and Sustainable Development Investments.
- (ii) **Face-to-Face meetings** between Club de Madrid and P80 Group Foundation Members and key stakeholders related to the Pension Funds spheres as well as to the deployment of technologies with a message to effectively catalyze low carbon and sustainable development investments.
- (iii) **Third Party Events / Processes** where the key messages will be delivered to key audiences internationally.

VI. RESOURCES NEEDED TO ESTABLISH AND DEVELOP THE GLOBAL LEADERS FOR CLIMATE AND SUSTAINABLE DEVELOPMENT FINANCING ACTION INITIATIVE

The resources (human, financial, technical) that the Parties may need to ensure the development of the Global Leaders for Climate Financing Action Initiative will be secured from varied sources of funding through the collective and specific efforts of the Parties to this Memorandum of Understanding.

VII. DURATION

This Memorandum of Understanding will come into effect on the date of signature by the Parties and its implementation and duration will depend on funding secured to carry out the above described project.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties affix their signatures below.

Mr. Carlos Westendorp
Secretary General
Club de Madrid

Mr. Eugene Yun
Managing Director
P80 Group Foundation