DIGITAL FINANCIAL TECHNOLOGIES AND GREEN FINANCE, SUPPORT TOOLS FOR THE SUSTAINABLE DEVELOPMENT OF THE ECONOMY

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Summary

The current challenges at European and global level have involved the major risk of a severe recession affecting the entire EU economy, including Romania, with direct consequences for businesses, jobs and households, especially in the current pandemic context. As financial technologies shape the future of the financial world in ways most of us have never anticipated, finance experts will have to keep up. Moreover, in the context of the European Environment Agreement and the Global Environment Agreement, funding will face a new challenge posed by the introduction of green funding, which we can say will be found in all areas of activity, including insurance.

The European financial market is constantly adapting to current challenges, making it not only more competitive but also an innovative European financial market. In this paper, we intend to develop a plan of proposals for measures and solutions to support the national economy through financial instruments "green bonds", including the proposal of financing mechanisms and models for innovative financial instruments in the context of crises generated by current challenges.

Keywords: *financial technologies, innovative insurance, green financing*
JEL*: G23,* G22*, Q56*
UDC: *336:004*

Introduction. The concept of "*FinTech"* is an abbreviation of the terms "*financial technology*", which refers to the application of technologies in finance or more precisely to the financial solutions offered by technologies. Currently, the FinTech industry is considered to incorporate start-ups that provide traditional financial services.

The interconnections between finance and technology already have a long history, and that neither begins, nor is limited, to the terms of cryptoassets (the concept of cryptocurrency is known) or blockchain technology, about which in recent years, information agencies and publications communicate to us daily internationally renowned, such as Reuters, Bloomberg, The Economist, etc.

In some discussions devoted to the history of FinTech, it is argued that the origin of the term should be considered the beginning of the use of the telegraph in the transmission of information and financial data for commercial purposes (year 1838). The period from that moment until 1967 was generically called the FinTech 1.0 era, followed by FinTech 2.0, which lasted until 2008 and was marked by the digitization of financial services. The FinTech 3.0 era, especially the years 2014-2016, was marked by an explosion of start-ups oriented towards the creation, development and sale of a spectrum of fundamentally new financial services, as well as the creation and provision of the infrastructure necessary for the smooth running of activities traditional financial-banking, among which we list: crowdfunding operations; peer-to-peer lending; issuance of cryptocurrencies; portals with business solutions for entrepreneurs, which also integrate financial management solutions, etc.

As for the overall impact of digital technologies on the financial sector, already today we can say with certainty that technologies are causing irreversible changes in the financial system, integrating and gradually taking over the exercise of its traditional functions.

Phases of the entire process include diversifying products to attract a wider customer base, orchestrating ecosystems to create new strengths, monetizing services, capabilities or data - and expanding into new markets. Consumers express their interest in purchasing ecological banking services. Beyond the impetus of market competition, traditional operators are also facing increasing social and regulatory pressure to move towards green and sustainable practices. At the moment it seems that *"blockchain" technology*, generically called *"Distributed Ledger Technology"* seems to be the element that will further revolutionize the financial field, due to the advantages it offers by combining three fundamental-sustainable elements of the financial sector, especially the segment banking: amazing speed, high level of security, decentralization of transactions.

From the perspective of the synergistic approach, the total impact of technologies on banking is difficult to quantify, and the prospects are worrying.

The added value brought by FinTech in the financial sector derives mainly from the following three components:

- reducing costs;
- increasing the convenience of services and
- democratizing access to financial services.

In terms of cost reduction, the savings to customers are enormous. In addition to time savings, FinTech offers great financial savings by offering a wide range of sustainable services at zero cost to customers (free of charge). For example, the American company Credit Karma [4] offers users free access to their credit rating and credit history, as well as keeps track of all the financial products used by the client.

The major macroeconomic role of financial technologies emerges from their enormous contribution to increasing financial access, currently qualified as one of the major impediments to sustainable and inclusive development. As a result, we intuit (the author's opinion) that FinTech will be promoted by both governments and international institutions, and quickly assimilated by all users of sustainable financial-banking services.

We can say that in the current conjuncture characterized by the sustainability of the *FinTech industry, banks and traditional financial institutions* are going to radically change their development strategies and fight to maintain their position on the market of financial products and services with increasing social and regulatory pressure to move towards ecological and sustainable practices. In the author's opinion, one of the ways to maintain their role in the financial industry is openness to the assimilation of innovations.

However, a major problem raised by the development of the FinTech industry is the need to adjust the regulatory framework and financial supervision to the new realities. We find big lags here, as many aspects of technological innovations, which are already widely used, are not yet regulated and therefore cannot be supervised, and it is not excluded that they threaten the financial stability of national economies and, as a result of the world economy. In this context, adapting and synchronizing the legislative framework and banking supervision to the rhythms of the development of financial technologies must represent an imperative in the national and international political agenda.

The future of finance is digital: consumers and businesses are increasingly turning to financial services digitally, innovative market participants are implementing new technologies, and existing business models are changing.

Digital finance has helped citizens and businesses cope with the unprecedented situation created by the COVID19 pandemic. For example, online identity verification has enabled consumers to open accounts and use many financial services remotely. An increasing proportion of in-store payments are now digital and contactless, and online purchases (e-commerce) have grown significantly.

FinTech solutions have helped expand and accelerate access to loans, including government-backed loans in response to the COVID-19 pandemic. Ensuring the safe and reliable operation of digital infrastructures has also become more important as the number of people using online financial services has increased and financial sector employees themselves work remotely. If there was any doubt, it is now clear that digital finance can bring many benefits, and Europe's citizens and businesses are ready to receive them.

Europe must take full advantage of this in its recovery strategy to help repair the social and economic damage caused by the pandemic. Digital technologies will be essential for relaunching and modernizing the European economy in all sectors. These will enable Europe to advance as a global digital actor. At the same time, users of financial services must be protected against the risks arising from the increased use of digital finance.

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - "*Now is Europe's time: repairing the damage caused by the crisis and preparing the future for the new generation*", COM(2020) 456 final, 27.5. 2020.

Supporting the digital transition in the EU is a key priority at European level, as set out in early 2020 and more recently in the context of the recovery plan, followed by the recovery and resilience plans.

Research methodology. The methodology of the paper has as direct tools the collection of data and information from the specialized literature and from the existing global practice in public and private higher education institutions, but especially the scientific articles published on specialized research networks (Research Gate, Academia.edu, MDPI, SCOPUS, Frontiers, RePec, and others networks), articles published in various journals, relevant books in the field of reference, legislation, analysis and studies, official documents of the various institutions for quality assurance of higher education institutions, other relevant sources. Moreover, in the methodology, we will analyze the documents using the comparative, analytical, descriptive method, without participatory and participatory observation and the use of a set of information sources, data collection in established databases.

Results and Discussion. The European financial sector can rely on numerous innovative projects in all member states and on its leading role in areas such as digital payment technologies.The adoption of digital finance will contribute to the global digital transformation of our economy and society. This would bring significant benefits to both consumers and businesses.

The digital transformation of the economy has changed the innovation process and business models, including in the field of financial services. Innovation is increasingly taking a digital form, facilitating the development of enterprises. Increasingly, innovation involves new products, processes or business models that are made possible by digital technologies.

While in the beginning they performed only a simple support function, information technology systems, combined with the corresponding software, have become a central pillar of economic activities for many enterprises. This is because digitization offers substantial new opportunities, as digital networks and data services generally facilitate economies of scale, enabling the provision of better quality services at lower cost.

Innovation cycles are accelerating, becoming more open and collaborative.

Digital technologies and applications are increasingly being built in a modular manner, communicating with each other through application programming interfaces. https://ec.europa.eu/info/publications/digital-finance-outreach-2020_en. Report containing recommendations to the Commission - "Digital finance: emerging risks in crypto-assets - regulatory and supervisory challenges in financial services, institutions and markets" [2020/2034(INL)],https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2020/2034(INL)&l=enOn 13 December 2019, the Expert Group on Regulatory Obstacles to Financial Innovation, established by the European Commission in June 2018 , published its recommendations on how to create an enabling environment for the provision of technology-based financial services.

https://ec.europa.eu/info/publications/191113-report-expert-group-regulatory-obstacles-financial-innovation_en,https://ec.europa.eu/info/publications/cmu-high-level-forum_en

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - "A strategy for SMEs for a sustainable and digital Europe", COM(2020) 103, 10.3.2020 https://eur-lex.europa .eu/legal-content/RO/TXT/HTML/?uri=CELEX:52020DC0103&from=EN

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on an EU strategy on retail payments, COM(2020) 592.

Four priorities for the digital transformation of the EU financial sector

The first priority is to address the fragmentation of the digital single market for financial services, to enable European consumers to access cross-border services and to help European financial firms expand their digital activities. Many businesses have confirmed that cross-border expansion is essential for them, as online services cost a lot to develop, but little to replicate, and often require large-scale deployment. A larger potential cross-border market facilitates the mobilization of the necessary funds for the development of such services. This gives consumers real access to cross-border services. Enterprises that reach the necessary scale can also offer such services at a lower price and better quality.

The second priority is to ensure an EU regulatory framework that facilitates digital innovation in the interest of consumers and market efficiency. Innovations that use or rely on distributed ledger technology or artificial intelligence (AI) have the potential to improve financial services for consumers and businesses. The regulatory framework for financial services should ensure that these technologies are used responsibly, in line with EU values. More broadly, faster, more open and collaborative innovation cycles require regular review and adjustment of EU financial services legislation and supervisory practices to ensure that they support digital innovation and remain appropriate and relevant in ever-evolving market environments.

The third priority is to create a European Financial Data Space which, based on the European Data Strategy, promotes data-driven innovation, including improving data access and data sharing in the financial sector. The EU has ensured that businesses, including financial firms, publish comprehensive financial and non-financial information about their operations and products. The EU has also paved the way for the exchange of payment account data as part of the revised Payment Services Directive. New measures to improve data sharing and intra- and cross-sector openness, in line with data protection and competition rules, will enable the financial sector to fully embrace data-driven innovation. This will encourage the creation of innovative products for consumers and businesses and support wider policy goals such as the creation of a single data market. It will also help facilitate access to the data needed to channel finance in support of sustainable investment.

The fourth priority is to address the new challenges and risks related to digital transformation. Financial services are migrating to digital environments with fragmented ecosystems and interconnected digital service providers that are partially excluded from the scope of financial regulation and supervision. Therefore, digital finance can increase the difficulty of existing regulatory and supervisory frameworks to maintain financial stability, ensure consumer protection and protect market integrity, fair competition and security. To ensure the ability of digital finance to provide better financial products for consumers and businesses, these risks must be addressed. The Commission will therefore pay particular attention to the principle of "same activity, same risk, same rules", not least to ensure a level playing field between existing financial institutions and new market participants. By 2024, the EU should put in place a strong legal framework enabling the use of interoperable digital identity solutions that enable new customers to quickly and easily access financial services ("onboarding").

That framework should be based on more harmonized anti-money laundering and countering the financing of terrorism rules and a revised framework on electronic identification and trust services for electronic transactions (e-IDAS Regulation). It should allow the re-use of customer data, provided that the customer gives their informed consent, consent based on full transparency about the consequences and implications of that re-use.

Addressing the challenges and risks associated with digital transformation

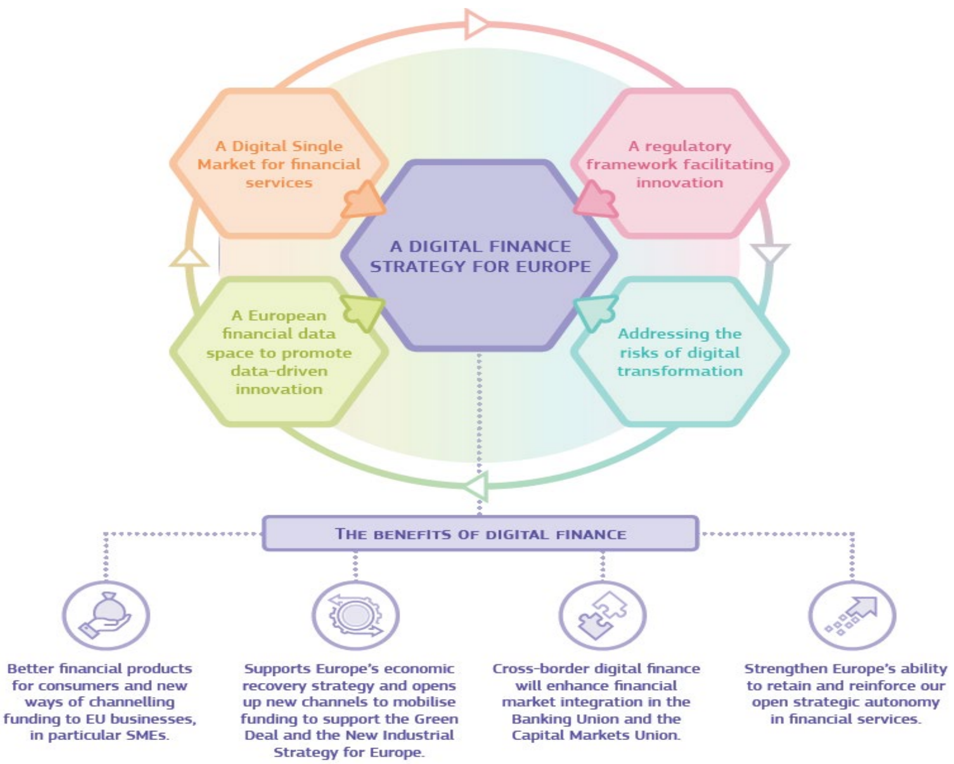
Technology companies are therefore likely to become an integral part of the financial ecosystem, and most respondents to the public consultation expect the risks to increase accordingly. It is important to address all these risks, not only those affecting customers (policyholders, investors and depositors), but also the more general aspects of financial stability and competition in financial services markets. These issues are significant both in terms of the provision of financial services by technology companies, consumer and business access to these services, and possible spillover effects between the financial and non-financial parts of mixed groups. In this context, regulation and supervision should be proportionate, based on the principle of "same activity, same risk, same rules" and pay particular attention to the risks of significant operators.

In addition, technology contributes to the disruption of previously integrated value chains for a given financial service. Although most financial services were traditionally offered by a single provider, digital technologies have allowed firms to specialize in a particular link of the value chain. This increases competition and can improve efficiency, but it also increases the complexity of value chains, which makes it difficult for supervisors to have an overview of the risks in the value chain, especially if the entities involved are subject to different regulatory and supervisory frameworks. At European level, *current EU prudential and conduct legal frameworks* will be adapted to continue to maintain financial stability and protect clients in line with the principle of "same business, same risk, same rules". In this process, the Commission will cooperate, as appropriate, with the ECB, national central banks and competent authorities.

Fintech - solution for "a more competitive and innovative financial sector"

FinTech is also a priority area at international level, for example for the G20. The Commission contributes to policy discussions in the Financial Stability Board and other international fora. A growing number of jurisdictions have developed regulatory and supervisory frameworks to respond to certain forms of FinTech innovation. Outside Europe, regulators have focused in particular on payment instruments and services and alternative forms of finance such as crowdfunding and peer-to-peer lending. For greater interaction with FinTech developers, a number of supervisory authorities (eg from Australia, Canada, the United States of America, Hong Kong, Singapore and Japan) have established FinTech centres. Several authorities have also developed experimental frameworks for innovative businesses, called 'regulatory testbeds' (eg from Australia, Hong Kong, Singapore and Canada)[1].

Chart 1. The digital financial strategy applied at European level



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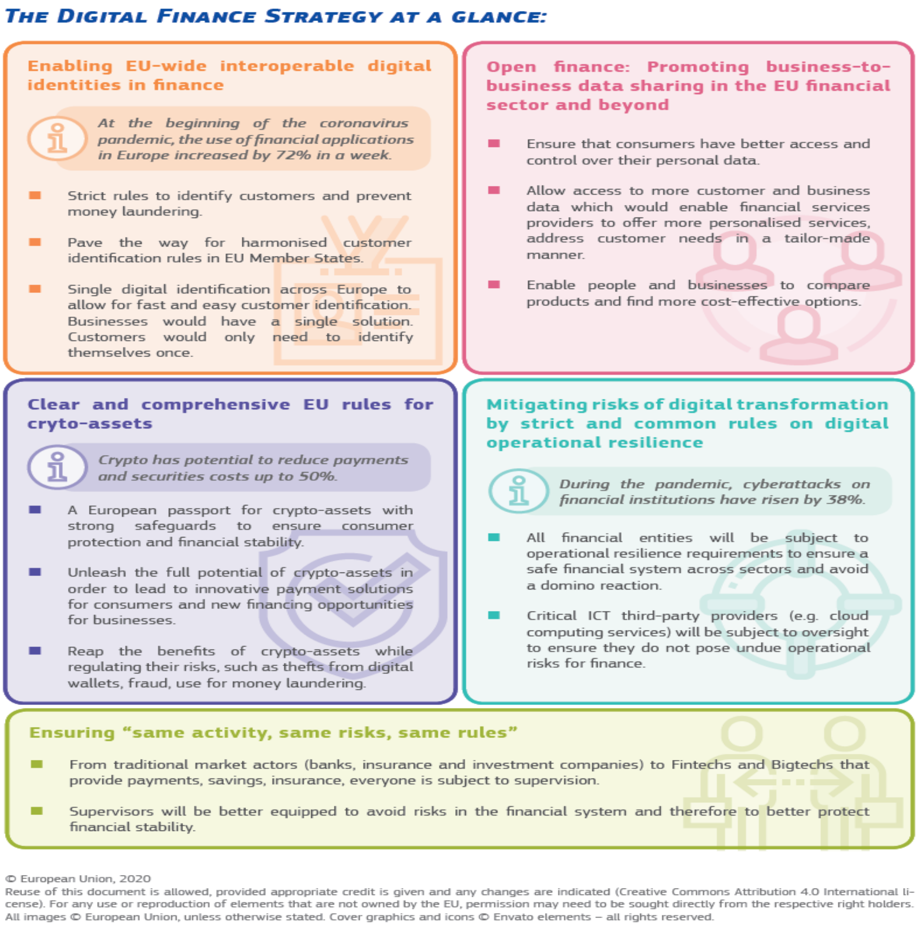
Source: https://ec.europa.eu/

[1] Recently also Switzerland through the involvement of Swiss FinteCH in events such as: https://www.milanfintechsummit.com/ sau https://www.openbankingexpo.com/europe/speakers/

Chart 2.The digital finance strategy at a glance

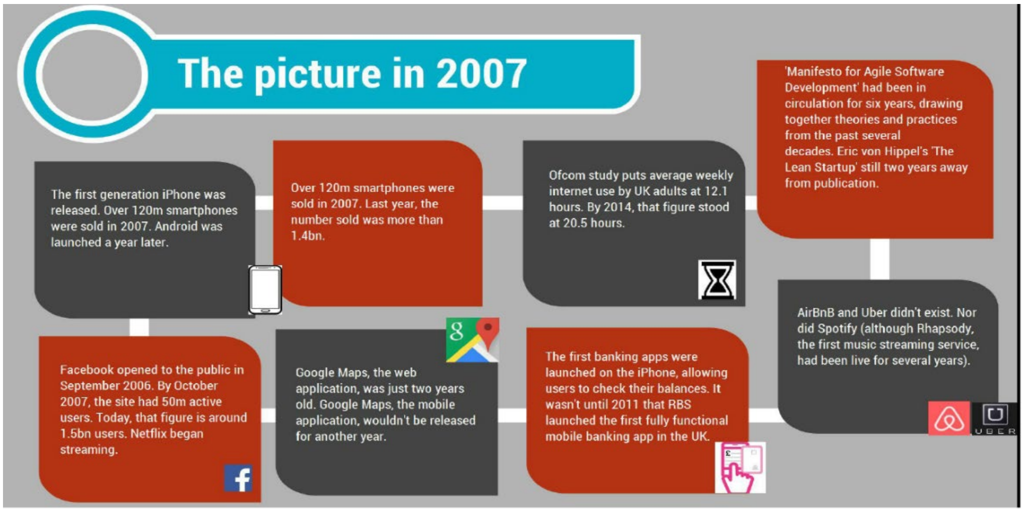


The rapid progress of FinTech is causing structural changes in the financial sector. In such a rapidly evolving environment, over-prescriptive and hasty regulation risks leading to undesirable outcomes. However, there is also the risk that avoiding updating policy and regulatory frameworks will put EU financial service providers at a disadvantage in an increasingly globalized market. There is also the possibility that, for example in the case of cyber security, the main risks remain unresolved.

The *FinTech Innovations and Action Plan* combines both supportive measures designed to contribute to the introduction of FinTech solutions and proactive measures to encourage and stimulate new solutions and decisively address emerging risks and challenges.

The Commission set out its plans for further work to enable, create an enabling environment and, where possible, encourage innovation in the financial sector, while ensuring at all times that financial stability and a high level of investor and consumer protection are maintained. This is an important pillar of a more comprehensive strategic approach to regulation in the post-crisis environment. The objectives are linked to three aspects: capitalizing on rapid technological advances for the benefit of the EU economy, citizens and the sector, fostering a more competitive and innovative European financial sector, and ensuring the integrity of the EU financial system.

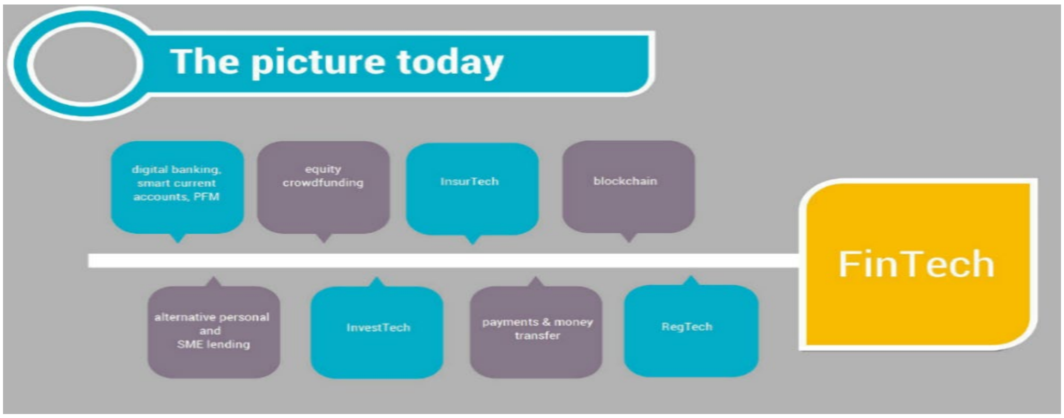
Chart 3. Presentation of FinTech in 2007



Source: Fintech and financial disruption, 2017, Akinson H., CSFI, Churchen R., PwC

The European financial sector is currently more competitive and innovative, as well as ensuring the integrity of the EU financial system through the digital financial strategy applied at the European level and the studies carried out at the international level.

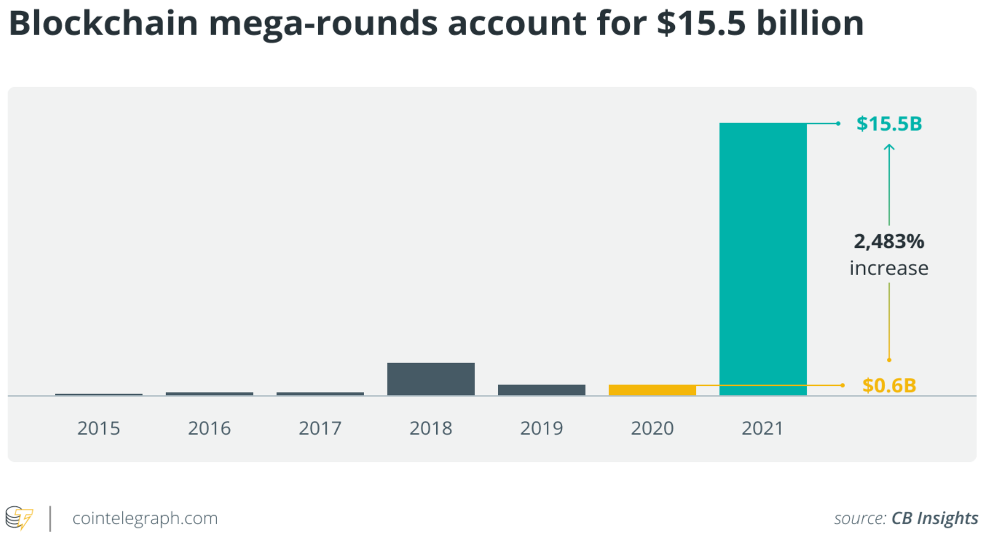
Chart 4. Presentation of FinTech in 2007



Source: Fintech and financial disruption, 2017, Akinson H., CSFI, Churchen R., PwC

Associated with digital financial technologies is also blockchain technology, which in recent years has experienced a dynamic both in the financial sector and in other sectors of activity, which is also reflected in the graph below.

Chart 5. The evolution of blockchain technology in the period 2015-2021



In January of each year, the *Insider Intelligence Group* publishes reports on the evolution of the most important FinTech companies and startups, thus in 2022 it published data on this industry that actively contributes to the process of financial inclusion, namely the FinTech industry, namely:

- The FinTech industry is moving every year. In the first three quarters of 2021, FinTech companies worldwide raised $94.7 billion in funding.
- But as more and more FinTech companies grow in the space, it can be difficult to sift through them and identify the biggest FinTech companies.
- Do you work in the Fintech industry? Gain insight into the latest technological innovations, market trends and your competitors with data-driven research.

The FinTech industry is growing every year, and the market is starting to fill up with financial service providers and early-stage FinTech startups trying to meet customer needs and shape the future of finance.

Fintech companies globally raised $94.7 billion in funding in the first three quarters of 2021. Several innovative financial services and the largest FinTech companies are fueling this growth by attracting investors offering new financial products and services. But as more and more companies get involved in the fintech space, it can be difficult to sift through them and identify the major players. To help you out, we've listed the biggest FinTech startups in six areas below: banking, payments, investment and wealth management, insurance, foreign exchange and foreign exchange, and lending and financing.

Along with digital finance that actively contributes to the inclusion process, the *European Commission has also launched the new green finance strategy starting in 2021*.

Sustainable financing represents an important concern of the European Union recently, having an essential role in fulfilling the political objectives of the European Ecological Pact being interpreted as a type of financing that supports the sustainable development of the economy, while reducing the pressures on the environment and taking into account social and governance aspects.

Sustainable finance aims to improve the financial sector to support sustainable development in the context of the fight against climate change.

This involves the consideration by the entities of the financial sector of the environmental, social and governance factors (ESG factors – Environmental, Social, Governance), thus aiming at the orientation of longer-term investments in sustainable economic activities and projects. There are several legislative initiatives at European level, transposed into national legislation or with direct applicability in Romania, to determine the development of sustainable economies in terms of environmental impact, in accordance with common efforts to counteract climate change.

The action plan of the European Commission on the financing of sustainable development and the development of a renewed strategy on sustainable financing contains 10 initiatives grouped into three chapters:

a. redirection of capital flows towards a more sustainable economy;

b. the inclusion of elements of sustainability in risk management;

c. encouraging transparency and long-term vision.

Financial market participants and financial advisers as well as issuers are required to provide specific information on their approaches to the integration of sustainability risks and the consideration of negative sustainability impacts.

In June 2021, the European Commission adopted a new *Strategy for financing the transition to a sustainable economy*, through which it proposes several actions to achieve this goal, such as: expanding the framework of the EU taxonomy, general framework for the ecological labeling of financial instruments, identifying gaps in protection offered by insurers regarding natural disasters, the inclusion of ESG risks in credit ratings, changes to the Solvency II directive to integrate sustainability risks into the risk management process of insurers, etc. In the context of the new strategy, the European Commission also proposed the establishment of a legal framework for European green bonds through a new regulation (European Green Bond Standards – EUGBS).

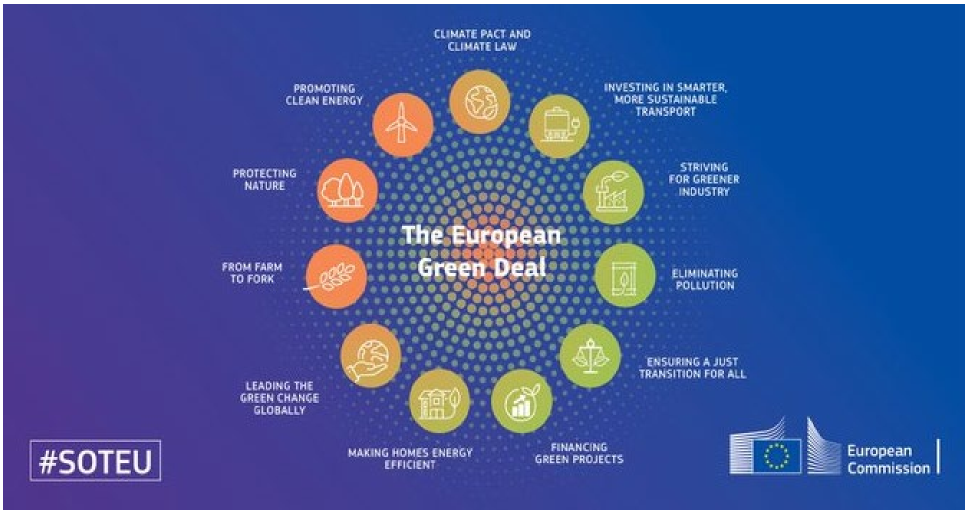
The structural change of the economy towards one with superior added value and sustainable from the climate point of view represents a significant challenge for the Romanian economy and for the financial sector, both the opportunities and the costs can be significant in the long term.

In the context of the transition to a green economy, the pace of which is important to achieve as homogeneously as possible on a European level, in order not to cause negative effects that unbalance economies from a structural point of view, the lack of action to combat climate change can have an impact picked up.

Accelerating the transition through green finance

The EIB Group's support for climate action and environmental sustainability can be divided into 12 focus areas, ten of which correspond directly9 to the European Green Deal, as shown in the figure below. Eleven areas are addressed, including fair transition for all, cover both the EU and the external dimension – and are therefore relevant to the EIB's operations globally.

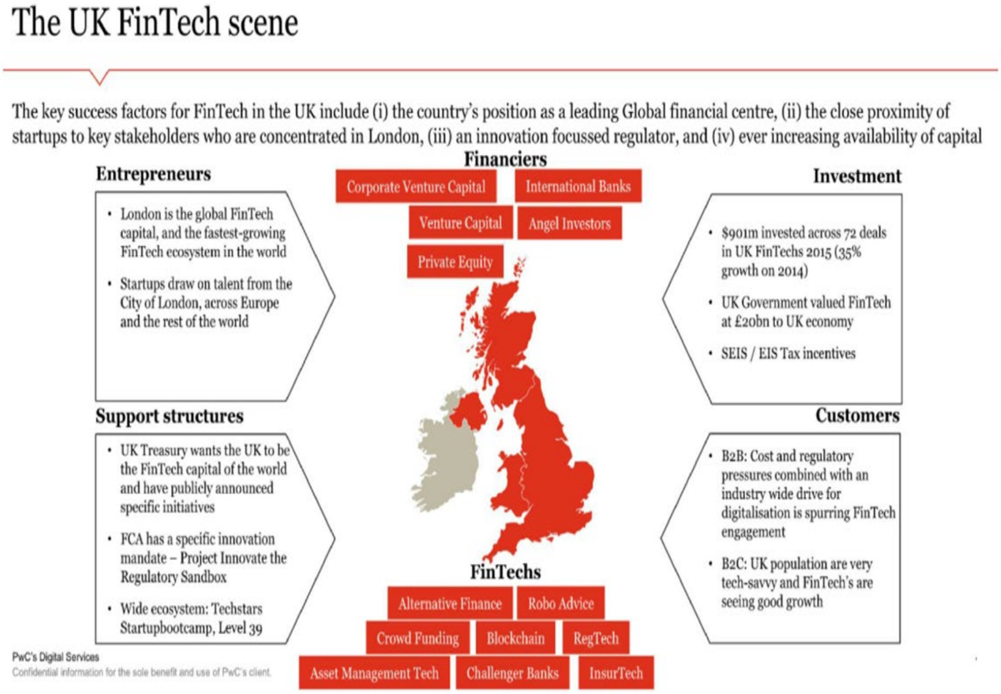
Chart 6. The basic themes of the European Green Deal



Structuring around these areas of interest helps to ensure full alignment of the EIB Group with the EU, including the objectives and by extension the use of the EU budget. It provides a coherent basis for strengthening dialogue with Member States on investment programs – ranging from medium-term Recovery and Resilience Plans Ensuring a fair transition for all As the *European Climate Bank*, the EIB Group recognizes the importance of not leaving people or places behind along the transition path. This is of particular concern to regions that currently rely on carbon-intensive industries as a major source of jobs and local income, and for these people, businesses, sectors and regions are most affected by the impacts of climate change.

This chapter considers the EIB Group’s role in supporting a just transition for all. Cohesion policy was one of the original reasons for being of the EIB when it was created in 1958. It continues to be a basic priority, reflected in an annual objective for cohesion loans of 30% in EU and pre-accession countries.

Chart 7. The UK FinTech scene



Sursa: Fintech and financial disruption, 2017, Akinson H.,CSFI, Churchen R.,PwC

Chart 8. Trends blockchain mega-rounds account

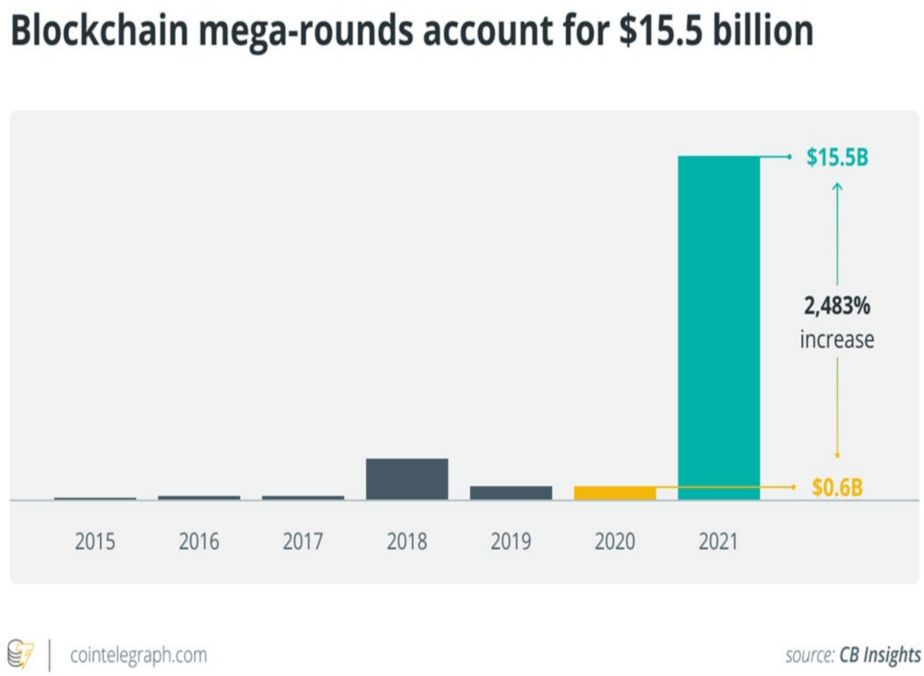
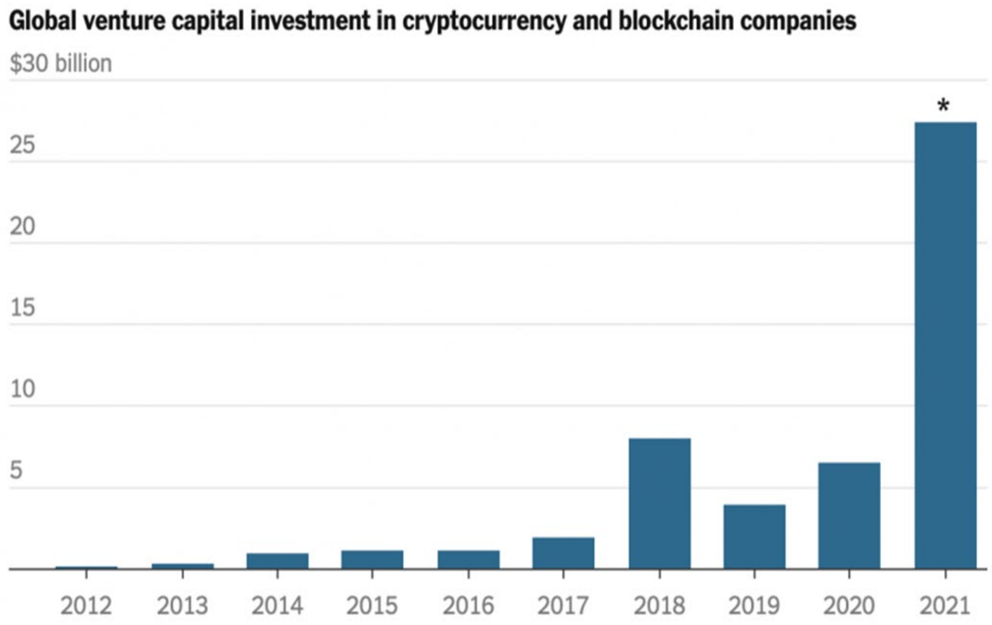


Chart 9. Global venture capital investment in cryptocurrency and blockchain companies



Source: currency.com

TECH IN FINANCE: OPPORTUNITIES AND CHALLENGES

Regulation of digital finance -it has been a year and a half since the Commission presented the digital finance package. Progress has been made, particularly with the legislative agenda in digital finance. But the next steps will be much more challenging. So what have we achieved so far? First of all, the agreement of the member states and the European Parliament, regarding market infrastructures based on distributed ledger technology. Market players will have a safe space to experience the issuance, trading and settlement of stocks or bonds using blockchain technology. We count on them to use this opportunity. This will be essential to give EU capital markets a much-needed boost to development, but also to help supervisors and the Commission identify areas where rules might need to be adapted and enable long-term development in this area.

The new rules will provide legality, certainty to rapidly encourage responsible innovation in this growth of the asset class, while putting safeguards in place to protect investors against fraud, abuse and theft and preserve market stability. The member states reached a common position and negotiations at the European level.

Thirdly, the adoption of new rules regarding digital operationality, as well as optimizing the resilience of financial firms. However, as the financial system continues to change, regulators need to look carefully at the European approach.

5 fintech trends in 2021

- Did you ever imagine that SWIFT transfers would become instant?
- A new generation of FinTech companies and international initiatives have succeeded in making payments faster, safer and available from a mobile phone.

To stimulate innovation by unifying payment systems and at the same time market competition, government initiatives like PSD2 or payment standards like ISO 20022 enable the following:

- improving the quality of transaction information;
- sharing banking information with third parties;
- national and international bank transfers in real time;
- payments and mobile POS terminals;
- enhanced security through two-step authentication and biometrics

Green finance and the green economy in context

The European Green Deal and the Global Green Deal

The European Investment Bank (Climate Bank) is active in around 160 countries and is the world's largest multilateral lender for climate action projects. The EIB Group has set "ensuring a fair transition for all" as one of the four overarching objectives in the Climate Bank's 2025 Roadmap. The EIB's ambition is to support €1 trillion of investment in climate action and environmental sustainability in the decade to 2030 and to align all its new operations with the goals and principles of the Paris Agreement[2].

In 2019, the EIB Board approved a new set of ambitious targets for climate action and environmental sustainability. The three key elements are:

- The EIB Group will support investments of €1 trillion in climate action and environmental sustainability in the critical decade 2021-2030;
- The EIB will gradually increase the share of its financing dedicated to climate action and environmental sustainability, to exceed 50% of its operations in 2025;
- The EIB Group has aligned all its financing activities with the principles and objectives of the Paris Agreement by the end of 2020.

The EIB Group has created a Climate and Environment Advisory Council, made up of leaders from academia, business, civil society and international organisations. The Advisory Board will provide independent advice and expertise on the activities the EIB Group undertakes to achieve its climate action and environmental sustainability ambitions.

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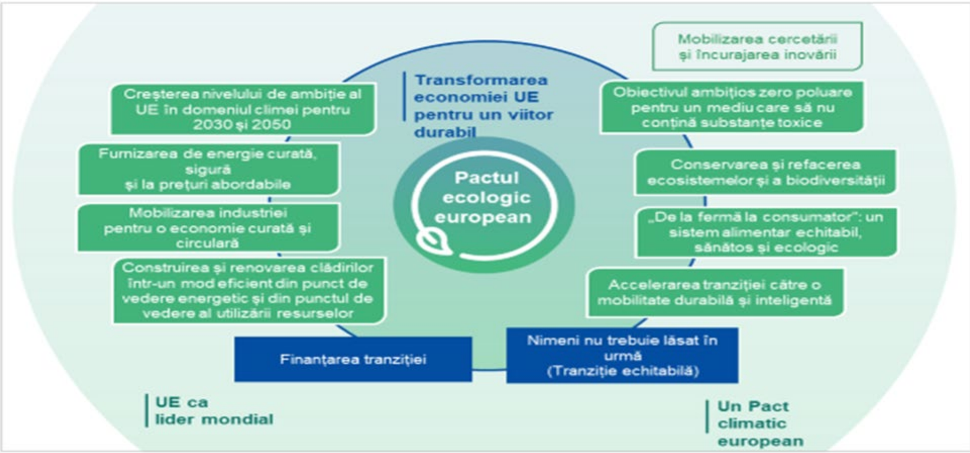
[2] https://cinea.ec.europa.eu/funding-opportunities/calls-proposals/just-transition-mechanism-public-sector-loan-facility-call-proposals_en

Chart 10. European Green Pact



Source: europa.eu

Among the topics covered, the focus will be on the Climate Bank Roadmap and our activities to support adaptation to the impacts of climate change, as well as the EIB Paris Group counterparty alignment framework. Green finance and the green economy in context the European Green Deal and the Global Green Deal.

Conclusions. Transforming a compelling challenge into a unique opportunity. The atmosphere is warming and the climate is changing more and more from year to year. Of the eight million species of plants and animals on the planet, we risk losing one million. Forests and oceans are increasingly polluted and devastated.

The European Green Pact proposes a response to these challenges. It sets out a new growth strategy which aims to transform the EU into a fair and prosperous society with a modern, competitive and resource-efficient economy with no net greenhouse gas emissions in 2050 and where economic growth is decoupled from resource use.

The Pact also aims to protect, conserve and strengthen the EU's natural capital, as well as protect citizens' health and well-being against environmental risks and related impacts. At the same time, the transition must be fair and inclusive, put people first and pay attention to the regions, industries and workers that will face the greatest difficulties. As it will bring about substantial changes, the active participation of citizens and their trust in the transition is of paramount importance if we want the policies to work and be accepted. A new pact is needed to bring together Europe's citizens, in all their diversity, and for national, regional, local authorities, civil society and industry to work closely with EU institutions and advisory bodies.

Accelerating the transition through green finance- Social development and climate change around the globe. In this case, the rapid transition to mitigate the impact of climate change has certain effects on communities. This is equally relevant in many parts of the world beyond Europe, regardless of industries and livelihoods dependent on high-emission fuels and activities that will become less viable as decarbonisation accelerates and low-carbon solutions are preferred. The EIB will continue to work with the MDB and other entities on developing approaches to support a just transition in developing countries and provide coherent support to regions and cities with urgent needs for job creation and business development in low-carbon industries and sectors. carbon.

In other cases, *climate change – even under a fast emissions reduction path* – will continue to impact people, businesses and nature. Overall, climate change and environmental degradation are already having a significant impact on people around the world. It affects incomes, livelihoods, health, food security, peace and stability, and migration patterns. The effects of climate change continue to disproportionately affect least developed and disadvantaged and vulnerable countries.

Gender equality and climate action- women and men both play important roles in promoting climate action and building resilience, but are also affected differently by climate change and environmental degradation due to different gender roles and access to and control over productive, natural and financial. Gender-sensitive climate investments can strengthen climate and environmental outcomes, open business opportunities and be more financially efficient. In particular, in many developing countries, adopting a proactive gender-inclusive approach to climate action can lead to improvements, development outcomes and greater project impact. Building on its existing Gender Equality Strategy[3], the EIB will step up its support for gender awareness, climate action in the coming years.

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