CORNELL UNIVERSITY

FINAL EXAM, SPRING 2025

SUSTAINABLE FINANCE: SOUTHEAST ASIA AND GLOBAL PERSPECTIVES

PUBPOL 3615/5615

**QUESTION 1 (25 POINTS)**

Electric vehicle (EV) development is still nascent in many Southeast Asian countries. The Asian Development Bank (ADB) is providing a financing package to an established conglomerate, which it claims will help foster market creation in the Philippines. A portion of the funding is specifically allocated for procuring EVs from manufacturers for commercial distribution. Using blended finance as a conceptual framework:

1. Construct an argument *in support of* the ADB's decision to provide the financing package.
2. Construct an argument *against* the ADB's decision to provide the financing package.

**QUESTION 2 (25 POINTS)**

The Just Energy Transition Partnerships (JETPs), supported by donors such as the United States and European countries, provide funding to developing countries, including Vietnam and Indonesia. One of the conditions for receiving JETP funding is the early retirement of coal-fired power plants. At the Net Zero Summit in 2022, a prominent Indonesian minister made the following remarks:

*“Facing the risk of climate change, Indonesia needs to transform to sustainable development. That, I think, is very important. Ladies and Gentlemen, we care very much about this. Our negotiation with the US – JETP – so far went very well. Last night, my good friend, John Kerry, phoned me about the progress of this. Hopefully we can announce something by 16th of November. I’m glad also Ambassador came here. This is a very tough negotiation. But Indonesia makes it very clear stand on this. Because we don’t want any policy about climate change disturb our economic growth. Our economic growth right now is doing well. So that’s very important.”*

1. To what extent is the minister's assertion of a trade-off between economic growth and environmental protection justified?
2. According to the literature on the functions of government, which function is *most violated*, and which is *best served*, when the government allocates public funds to build new coal-fired power plants? Explain.

**QUESTION 3 (25 POINTS)**

Green bond issuance has seen an increasing trend in Singapore, which can be attributed to the active involvement of both the government and private sector entities. Focusing on bonds issued by corporations (where tax exemptions are irrelevant):

1. Do green bonds typically offer higher, lower, or similar coupon rates compared to conventional bonds? Explain.
2. For an investor whose portfolio primarily consists of conventional bonds, would including green bonds be considered an effective strategy for diversification? Justify your answer with a quantitative example and relevant metrics.

**QUESTION 4 (25 POINTS)**

A new policy offering free public transport was tested for one week in Bangkok, as part of an effort to reduce air pollution in the Thai capital. The implementation was estimated to have cost millions of dollars, including compensation for lost revenue to transportation operators. Differing views have emerged regarding which public authority should bear the financial burden associated with the policy: the Thai government (at the national level) or the Bangkok Metropolitan Administration (at the subnational level).

1. Present an argument supporting the notion that *the Thai government* should be responsible for the financial burden.
2. Present an argument supporting the notion that *the Bangkok Metropolitan Administration* should be responsible for the financial burden.