

Abstract

International infrastructure PPP (Public Private Partnership) -projects are large, complex and therefore risky enterprises. They often involve different currencies, and hence financial risks such as foreign exchange risk and interest rate risk can have a great impact on the project's success.

This Diploma thesis "Risk hedging strategies for financial risks in Asia, Europe and US" introduces and analyzes the different possibilities to hedge financial risks in international PPP (Public-Private-Partnership) -projects. Additionally, the objective of this research is to identify the differences of implementation in Asia, Europe and the United States. This goal is achieved by an international questionnaire survey which is sent to the different participants of international PPPs. Furthermore case studies are used to illustrate the recent developments in practice.

The thesis will give a general survey of adaptable hedging strategies. Special attention is paid to financial derivatives, such as financial swap agreements, forward contracts, futures contracts and options. These financial engineering tools were developed from approved instruments and have enjoyed an increased degree of popularity within the past decades. The instruments are defined and compared to each other in terms of adaptability for hedging purposes for international PPP-projects. The examination is split into hedging interest rate risk and foreign exchange risk. Other strategies to hedge these financial risks in PPP-projects are guarantees, tariff adjustment mechanisms and local currency loans.

Further, the research analyzes which instruments are most suitable to hedge which financial risk and also looks at which hedging strategies are actually used for PPP-projects in Asia, Europe and the United States. Investigations focus on the corporate level of selected companies and financial institutions.