**Yearbook 2019 (extract) : Global Multilateral Deal of the Year – Nachtigal**

Nearly every significant development financial institution (DFI) came together to bring a hydro project five years in the making to financial close.

A consortium of France’s EDF, the IFC and the Republic of Cameroon signed the financing documents in November for the 420MW Nachtigal hydropower plant five years to the day after EDF agreed to develop it.

Africa50 and STOA, an investment fund owned by Caisse des Depots and the French Development Agency (AFD), later joined the project with 15% and 10% equity stakes, respectively.

The completion of the project – one of the few hydropower PPPs in sub-Saharan Africa - will help to provide power to the nearly 50% of Cameroon’s population still living without electricity, as well as reduce the frequency of blackouts, and lower power prices. The dam is projected to save the country an additional US$100m in generation costs annually.

The €1.26bn project on the Sanaga River is considered a pathfinder for the financing of a number of upcoming hydro projects in the country.

A €916m debt portion was split into two tranches, with a commercial tranche in the Central African franc equivalent of €171m raised by Societe Generale, Standard Chartered, Morocco’s Attijariwafa and Cameroon’s BICEC. The tranche had a seven-year tenor with the possibility of two separate seven-year extensions.

The euro-denominated DFI tranche stood at €745m and was provided by African Development Bank (€118m), Africa Finance Corporation, French Development Agency (AFD) (€90m), CDC Group (€90m), DEG (€35m), Emerging Africa Infrastructure Fund (EAIF) (€50m), European Investment Bank (EIB) (€50m), FMO (€30m), the IFC (€110m), OFID and Proparco (€60m) on an 18-year tenor.

The World Bank’s IBRD provided a partial risk guarantee (PRG) on the commercial tranche and a stand-by letter of credit for the sponsors. MIGA provided an equity guarantee and the Cameroon government authorised a US$1.27bn guarantee on the project in October.

Construction is expected to begin before the end of the year or early in 2019, performed by Belgium’s Besix group, France’s NGE and Morocco’s SGTM, with commissioning expected in 2023.

The project will consist of a 2km long, 14m high dam, a 3km supply canal and seven 60MW turbines. Once operational, it will sell its power to Cameroon’s grid operator ENEO through a power purchase agreement (PPA) linked to the 35-year concession length. Payments will be made in Central African francs, with 80% indexed to euros.

On top of the guarantees, the risk mitigators were – according to those involved – the strength of the sponsor group, the open and direct lender negotiations between all parties, and the restructuring of ENEO’s debts.

The tenor on the offtaker’s debts was increased from 2021 to 2031, reducing inefficiencies and bringing it up to-date in accordance with the repayment plan. This provided an extra level of certainty for lenders that the project was well-structured.

EDF was able to arrange a classic project finance structure, complete with the standard termination and force majeure provisions as well as compensation payments.

Societe Generale was financial adviser, while Clifford Chance advised the lenders, Allen & Overy advised the IBRD, Herbert Smith Freehills advised the sponsors and Eversheds advised the government. Mott MacDonald was technical adviser.