Sovereign Debt News Update No. 146: Senegal’s Renewed Domestic Financing Strategy - A Lifeline or a Looming Risk?

By:

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On September 18 2025, Senegal reportedly issued a CFA 300 billion (USD$537 million) diaspora bond on the West African Economic and Monetary Union (WAEMU) market. The issuance has been split into four tranches with maturities of three (3), five (5), seven (7), and ten (10) years, offering yields between 6.40% and 6.95%. This marks Dakar’s third bond offering in 2025, following CFA 405 billion (USD $722.43 million) raised in April 2025 and CFA 360 billion (USD $642.17 million) in July 2025. According to a report by Jeune Afrique, Senegalese Prime Minister urged the country’s diaspora to invest in the bonds, to ensure that Senegalese citizens home and abroad are able to fund important development projects and take part in building the country’s future. Labelled as ‘patriotic and citizen securities’, these financial instruments feature a dedicated tranche aimed at engaging the Senegalese diaspora.

However, this latest fundraising effort reflects a broader trend: Senegal's deepening reliance on regional capital markets to bridge a widening fiscal deficit. For emphasis, the country raised over CFA 1 trillion (USD$1.78 billion) through these bond issuances between April and July alone, nearly quadruple the CFA 260 billion (USD $463.17 million) mobilised throughout 2024. In the first half of 2025, Senegal was reported to have tapped the WAEMU public securities market for CFA 1.26 trillion (USD $2.24 billion). Additionally, conventional auctions conducted by WAEMU regional agency UMOA-Titres have reportedly generated revenue for the country. Some of these include 40 billion CFA francs (USD $72 million dollars) raised in August 2025 after a simultaneous auction of Treasury Bills (BAT) with a maturity of 364 days and Treasury Bonds (OAT), as well as CFA 77 billion (USD $127 million) raised in June 2025, which in fact surpassed its CFA 70 billion target. According to news reporting agency Ecofin, these issuances, coupled with other conventional auctions organized by UMOA-Titres brought in CFA1.74 billion (USD $3.10 million) during the first nine months of the year. Altogether, Senegal has already mobilized more than CFA2.70 billion (USD$4.82 million) on the regional market. This Update will examine Senegal's diaspora bond issuances in the context of its broader financing strategy, and evaluate how effective this approach truly is in meeting the country's financing needs.

An Analysis of Senegal's 2025 Financing Strategy

On Friday August 1 2025, Prime Minister Ousmane Sonko presented Senegal's economic recovery plan, the Plan de Redressement Économique et Sociale (PRES) (In English: Economic and Social Recovery Plan) which aims to recalibrate the country's fiscal trajectory. The Plan targets raising CFA5.667 billion (USD $10.11 million) in revenue by 2028, with 90% to be raised from domestic resources, and aiming to cut the budget deficit from 12% in 2024 to 3% of GDP by 2027. To achieve this, Sonko underscored the dual strategy of engaging external partners to recycle existing assets and deepening reliance on the domestic financial market, particularly through local currency financing. Overall, Dakar's debt strategy is partly underpinned by the economic gains from oil and gas production. The IMF reports that growth reached 12.1% year-on-year in the first quarter of 2025, driven primarily by the Sangomar and GTA fields. Excluding hydrocarbons, however, growth slowed to 3.1% due to challenges in the construction and chemicals sectors. Inflation was recorded at

0.7% in July.

Indeed, this approach reflects Senegal's broader pivot toward the regional financial ecosystem. Hence, in an effort to diversify this domestic investor base, Senegal introduced these "patriotic and citizen securities," aimed at the diaspora. Coupled with two other bond issuances in April and July 2025, Senegal's borrowing strategy reflects both creativity and constraint. For one, it reveals a shift toward regional capital markets as its primary financing mechanism. Faced with a widening fiscal deficit and constrained access to international credit, the government has leaned heavily on the West African Economic and Monetary Union (WAEMU) market to meet its funding needs. The urgency of its recent issuances stems from a debt reassessment following a discovery by auditors at Forvis Mazars of USD$7 billion in hidden liabilities (equivalent to about 41% of GDP) from the previous administration. This pushed the debt-to-GDP ratio which initially stood at 74% of GDP in 2023, to above 110% in the course of 2024 to 118.8% at the end of the year. In response, the IMF froze a $1.8 billion Extended Credit Facility line pending key fiscal reforms.

However, this strategy carries significant risks. As liquidity tightens within the WAEMU banking system, yields on Senegal's bonds are creeping higher, increasing the cost of debt servicing. Moreover, repeated sovereign issuances risk crowding out private sector borrowers, as banks increasingly favour government paper over lending to SMEs. This could stifle entrepreneurship and slow domestic economic growth.

While regional markets have provided critical breathing room, long-term sustainability will hinge on structural reforms, improved debt management, and restored confidence from international partners. The stakes are high: if managed well, this strategy could stabilize the country's fiscal trajectory. If not, it risks amplifying the same structural vulnerabilities it seeks to relieve. In the same vein, the announcement of the initial measures taken, particularly in terms of budgetary transparency and expenditure rationalization, such as the reactivation of the National Public Debt Committee, a strategic body tasked with anticipating risks and ensuring rigorous debt management, could be helpful to the achievement of these objectives. This is pertinent considering the country's recent challenges with debt transparency.

Conclusion

Senegal’s Economic and Social Recovery Plan (PRES) represents both an ambitious fiscal roadmap and a critical stress test of the country’s economic governance. Anchored in domestic resource mobilization and regional market financing, the plan reflects a pragmatic adaptation to limited international credit access and heightened debt pressures. The government’s recent bond issuances, including two sovereign sales in April and July 2025, as well as a CFA 300 billion (USD 537 million) diaspora bond under the “patriotic and citizen securities” programme, underscore both the creativity and constraints of its borrowing strategy. Yet PRES’s success will depend less on short-term financing maneuvers and more on the government’s ability to institutionalize fiscal transparency, rationalize expenditures, and diversify the non-hydrocarbon economy. Measures such as the reactivation of the National Public Debt Committee signal an intent to strengthen oversight and rebuild investor confidence. Ultimately, if implemented with discipline and consistency, the PRES could mark a turning point toward sustainable debt management and inclusive growth. If execution falters, however, Senegal risks entrenching the very vulnerabilities it is seeking to resolve.

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