Sovereign Debt News Update No. 155: The Merits of Senegal's Resistance to IMF Debt Restructuring Proposals

By:

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Introduction

On November 6 2025, the International Monetary Fund (IMF) reported that it had concluded its mission to Senegal which occurred from October 22 to November 6, 2025. These discussions were geared at advancing discussions initiated during the 2025 Annual Meetings on a new IMF-supported programme and to review progress on corrective measures related to Senegal's hidden debt. The "hidden debt" in question refers to a debt underreporting incident uncovered in late 2024 from the country's previous administration. From all indications, this scandal continues to haunt Senegal, which has recently concluded the most recent IMF mission, notably without any new lending agreements. Following this, Senegalese Prime Minister Ousmane Sonko

reportedly shunned any proposal to restructure the country's public debt. He said the measure, supported by the International Monetary Fund (IMF), would be a "disgrace" for the country. This Update will consider Senegal's current debt landscape and examine its current stance towards arresting its debt challenges.

Background

In February 2025, Reuters reported that Senegal's Court of Auditors released a review of the country's finances that confirmed that misreporting of key economic data including debt and deficit figures had occurred under the previous Macky Sall administration. According to the report tendered by the Court of Auditors, the deficit at the end of 2023 stood at over 10% compared to what the previous government had reported. Public debt, on the other hand, averaged 76.3% of GDP, which was higher than the previously reported. The audit also revealed irregular fiscal practices, including artificially assigning revenues from one fiscal year to the previous one to mask the deficit. This situation triggered a cascade of consequences for Dakar, such as a two-notch downgrade in its credit rating by rating agency Moody's in June 2025, as well as a selloff of the country's Eurobonds. Additionally, the IMF suspended its US$1.8 billion Extended Credit Facility in June 2024 following the misreporting discovery.

Analysis

Senegal's resistance to IMF debt restructuring proposals reflects a political and economic approach seemingly aimed at preserving sovereignty and credibility in the wake of the hidden debt scandal. Prime Minister Ousmane Sonko's rejection of restructuring can be interpreted through several lenses. First, by labeling restructuring as a "disgrace," the government signals its intent to avoid measures that could be perceived domestically and internationally as capitulation to external creditors. This position aligns with a wider narrative of reclaiming fiscal independence after prolonged reliance on external financing. Amaka Anku, Head of the Africa Practice at Eurasia Group, emphasized that the objections stemmed from concerns that a restructuring would deepen Senegal's dependence on IMF financing and compromise Prime Minister Sonko's campaign commitment to 'restore Senegal's sovereignty.

Second, debt restructuring often carries reputational costs, including the perception of insolvency or inability to meet obligations. Senegal's refusal may be designed to reassure investors that, despite past misreporting, the country intends to honour its commitments and stabilize its fiscal trajectory without resorting to restructuring. Politically, the Sonko administration inherits a credibility deficit from the Sall government's misreporting. By resisting restructuring, the new leadership positions itself as breaking from past practices, projecting accountability and discipline rather than dependence on IMF prescriptions.

Nevertheless, the refusal to restructure carries significant risks. With debt to GDP levels estimated to be at 119% of GDP , Senegal faces constrained fiscal space. Without restructuring, the government must rely on domestic reforms, revenue mobilisation, and market borrowing, each of which may prove costly or politically contentious. Already, tensions between President Bassirou Diomaye Faye and Prime Minister Ousmane Sonko came to the fore in mid-November when Sonko's ruling Pastef party reportedly rejected Faye's nomination to head the restructured coalition that secured their joint rise to power last year. Furthermore, the markets and its players have not responded most amicably to this decision. In late October 2025, Moody's downgraded Senegal's sovereign credit rating– for the third time this year– triggering a sell-off in the country's Eurobonds, leaving the bonds trading at a 40% discount to its face value.

Conclusion

Senegal's rejection of IMF debt restructuring proposals underscores a complex balancing act between safeguarding economic and monetary sovereignty on the one hand, and restoring credibility, and managing acute fiscal pressures, on the other. The merits of this resistance lie in its potential to protecting Senegal's monetary sovereignty and domestic confidence by avoiding the uncertainties of restructuring. Prime Minister Sonko is also a break from past fiscal mismanagement. This resistance to the IMF aligns with broader regional calls for financial independence.

Yet, the risks are equally pronounced. Without restructuring or renewed IMF support, Senegal must navigate high debt levels, downgraded credit ratings, and limited access to affordable financing. The success of this strategy will depend on the government's ability to implement credible reforms, harmonise

its political relations, and mobilise domestic resources. In essence, Senegal's resistance is both a statement of principle and a gamble. If reforms succeed, the country may emerge stronger and more autonomous. If they falter, the refusal to restructure could exacerbate fiscal vulnerabilities and undermine the very credibility the government seeks to restore.

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