Sovereign Debt News Update No. 163: To Restructure or To Reprofile? Senegal and the Search for a “Third Way”

By:

The African Sovereign Debt Justice Network

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Senegal has been long considered as one of West Africa’s most stable economies with the country’s GDP growth averaging around 5-6% over the past decade. The country, which is also a regular issuer on international capital markets, is facing one of the most consequential debt challenges in its recent economic history. The country’s public finances have come under intense scrutiny since the revelation in 2024 that billions of dollars in previously undisclosed debt had accumulated under the prior administration. As reported in Sovereign Debt News Update No. 140, approximately US$7 billion in previously undisclosed liabilities, which included arrears owed to suppliers and off-balance-sheet Public-Private Partnership (PPP) commitments, was exposed. This disclosure triggered the suspension of Senegal’s International Monetary Fund (IMF) program and significantly altered investor perceptions of the country’s creditworthiness.

Since then, the government led by President Bassirou Diomaye Faye and Prime Minister Ousmane Sonko has sought to restore confidence while navigating mounting debt obligations, particularly a series of Eurobond payments due in 2026. For this, the country has been raising resources on the regional market. At the same time, policymakers are attempting to balance fiscal consolidation with development priorities and social pressures. The evolving situation has prompted debate among policymakers, investors, and analysts about whether Senegal should pursue restructuring, maturity reprofiling, or a combination of fiscal and financial reforms. This update reviews the origins of Senegal’s current debt pressures, the immediate liquidity challenges it faces, the policy responses of the government, and the reactions of markets and international institutions. The update explores the emerging question Senegal is faced with: to restructure or to reprofile?

Hidden Debt Revelations and the Breakdown of the IMF Program

The roots of Senegal’s current debt distress can be traced to the discovery of large volumes of previously unreported public liabilities following the election of the new government in 2024. An audit and subsequent disclosures revealed that billions of dollars in debt had not been properly reported during earlier years. The revelation significantly altered the country’s fiscal outlook and prompted the IMF to suspend a $1.8 billion lending program that had been supporting Senegal’s economic reform agenda. As a result of the newly uncovered obligations, Senegal’s public debt ratio rose sharply, reaching approximately 132 percent of GDP by the end of 2024. This dramatic revision undermined investor confidence and complicated the government’s efforts to maintain access to international financial markets. Credit rating agencies responded by downgrading Senegal’s sovereign rating, while Eurobonds began trading at steep discounts on secondary markets. Moody’s downgraded Senegal’s credit rating from “Ba3” to “B1” in October 2024, complicating the country’s access to international funding. The government has since been engaged in negotiations with the IMF to address the misreporting case and to design a potential new support program. At this stage, investors were split on whether the Fund would tell Senegal to restructure its debt (which could involve losses for creditors) or to re-profile it (which would extend the maturities without reducing the principal or interest). IMF officials have emphasized the importance of fiscal transparency, improved debt management, and stronger public financial oversight as prerequisites for restoring confidence. These discussions remain ongoing and are central to the country's strategy for stabilizing its finances.

Rising Debt Service and the Financial Pressures of 2026

Senegal's fiscal outlook has been further complicated by the sharp rise in projected debt service obligations over the coming years. In a revised budget document published in October 2025, Senegal raised its projections of debt service payments by about 3.2 trillion CFA francs (US$5.8 billion) for the next three years. Revised government estimates also indicate that total payments on principal and interest will reach approximately 5.49 trillion CFA francs (US$9.9 billion) in 2026, representing an increase of more than 11% from the June projections. The situation becomes even more challenging in subsequent years, with projected debt servicing rising to 4.41 trillion CFA francs in 2027 and nearly 4.97 trillion CFA francs in 2028. These figures reflect both the accumulation of past borrowing and the tightening conditions in global financial markets. Analysts have highlighted that such large debt service obligations could constrain the government's fiscal space and limit its ability to finance development priorities. The immediate challenge, however, lies in meeting a cluster of obligations in early 2026, including a major Eurobond repayment estimated at approximately $480 million due in March. Observers have described this payment as a key test of Senegal's ability to maintain market confidence and avoid a default scenario. The concentration of payments in this period has been described by analysts as a critical moment in Senegal's debt trajectory, placing the country under significant financial pressure.

The March 2026 Eurobond Wall and Short-Term Liquidity Measures

The Eurobond payment scheduled for March 2026 has become a focal point for investors and policymakers alike. Its March obligations include honoring 219 billion CFA francs (US$365 million), principal and interest owed to bondholders amounting to US$485 million, a coupon on its EUR 6.75% 2048s and principal plus coupon payments on its sinkable EUR 4.75% 2028s. The Senegalese government has reportedly mobilized a range of financing mechanisms to ensure that the payment can be met without default. These efforts include raising funds on the regional debt market within the West African Economic and Monetary Union and securing short term financing arrangements with international partners. Regional bond auctions have attracted strong investor demand, although the cost of borrowing has risen noticeably. For example, a February 2026 treasury bill issuance raised approximately CFA108.79 billion (US$197 million) but at a yield of around 6.79 percent, highlighting the increased risk premium investors now demand for Senegalese debt. At the same time, the government has explored alternative financing arrangements, including trade financing facilities including a €630mn trade-finance facility from the International Islamic Trade Finance Corp. And other syndicated loans. These steps have allowed Senegal to reassure investors that it intends to honor its commitments even as broader structural questions about the sustainability of its debt remain unresolved.

Reprofiling Instead of Restructuring: A "Third Way"

One of the most important policy debates surrounding Senegal's debt concerns the choice between restructuring and reprofiling. Restructuring typically involves reducing the principal or interest owed to creditors, often through negotiated haircuts. Reprofiling, by contrast, extends the maturity of existing debt obligations without reducing their nominal value. Senegalese authorities have consistently signaled their preference for the latter option. In November 2025, Senegal's Prime Minister Ousmane Sonko said the IMF had proposed a debt restructuring, but the government would not agree to it. Describing the restructuring proposal as "a disgrace", Prime Minister Ousmane Sonko stated that the government opposes any restructuring that would impose losses on creditors and potentially undermine the country's reputation in international capital markets. Interestingly, Senegal's bonds fell sharply after Prime Minister Ousmane Sonko resisted calls from the IMF to restructure its debt, thereby narrowing the options available to fix the country's fiscal crisis.

The government has instead advocated what some analysts have described as a "third way," combining maturity extensions, active debt management operations, and new financing arrangements designed to smooth repayment schedules. Supporters of this approach argue that it would allow Senegal to maintain market access while avoiding the stigma associated with formal restructuring. According to one analyst, the "third way" would require the reprofiling of external maturities, budget reform with mobilization of domestic revenues, and reinvestment in a decade-long plan linked to hydrocarbon revenue. These three components, Loïc MPanjo Essembe argues, are only valuable when combined, precisely documented, sequenced with discipline, and presented as an inseparable package to the markets, the IMF, and bilateral partners. Critics, however, warn that such strategies may merely postpone the underlying problem if fiscal deficits and borrowing needs remain high. The debate over this strategy continues to shape discussions between Senegalese authorities, investors, and international financial institutions.

Negotiations with the IMF and the Question of Sovereign Policy

Space Negotiations with the IMF remain central to Senegal's broader debt management strategy. While the government has indicated its willingness to reach a new agreement with the Fund, officials have emphasized that any arrangement must align with national priorities. Aminata Touré, a presidential adviser and former prime minister, underscored this position in February 2026, stating that "*any IMF deal must be in Senegal's best interests.*" She also warned that debt restructuring could have negative long-term implications for economic growth and development. According to government officials, Senegal has remained current on all its debt obligations and intends to maintain that record. Nevertheless, discussions with the IMF remain complex, particularly given the need to address the earlier misreporting episode and to complete a new debt sustainability analysis. The outcome of these negotiations will play a decisive role in determining whether Senegal receives renewed financial support from the IMF and other development partners. For many observers, the negotiations also raise broader questions about the balance between fiscal adjustment and development priorities in countries facing debt distress.

Government Fiscal Reforms and Institutional Restructuring

In parallel with financial negotiations, on the 4th of March 2026, the Senegalese government announced a series of domestic fiscal reforms aimed at strengthening public finances and demonstrating its commitment to responsible debt management. Among the most notable measures is the " rationalization of the broader public sector", a decision to shut down 19 state agencies as part of a broader effort to reduce government spending and improve efficiency. Authorities estimate that this move could save approximately US$98 million over the next three years. The closures are part of a broader reform agenda that includes tighter budget controls, efforts to standardize salaries across government entities, and improved oversight of public expenditures. While these reforms have been welcomed by some observers as necessary steps toward fiscal discipline, they have also generated concerns about their social impact, particularly with respect to employment and public service delivery. The affected government entities employ nearly 1,000 people and have a combined budget allocation of 28.05 billion CFA francs (US$50 million) in 2025. The decision to close 19 state agencies employing nearly 1,000 workers appears to reflect a broader fiscal consolidation effort aimed at reducing public expenditure and restoring confidence in Senegal's public finances. However, the scale of institutional closures and associated job losses equally raises questions about whether ordinary citizens must suffer these austerity measures. The government has argued that such measures are essential to restoring credibility after the debt misreporting episode and to creating the fiscal space needed for long term economic development. Thus, in a crisis like this, the Senegalese government has decided to sacrifice the livelihoods of ordinary people to meet creditor expectations.

Market Reactions and Investor Sentiment

Financial markets have responded cautiously to Senegal's evolving debt situation. The suspension of the IMF program and the revelation of hidden debt initially triggered a sharp sell off in Senegalese Eurobonds, with some securities trading at steep discounts on secondary markets. In recent months, investors have increasingly favored shorter maturity instruments, reflecting concerns about the country's long term debt sustainability. This shift toward short term bonds suggests that while investors still view Senegal as capable of meeting near term obligations, they remain uncertain about the country's longer term fiscal trajectory. Rising borrowing costs on the regional market also reflect this cautious sentiment. At the same time, some analysts note that Senegal retains important economic strengths, including growing oil and gas production and relatively diversified sources of financing. These factors may help the country navigate its current challenges if accompanied by credible fiscal reforms and renewed engagement with international partners.

Conclusion

Senegal's current debt situation illustrates the complex interplay between fiscal transparency, market confidence, and development priorities in the contemporary global financial system. The revelation of hidden debt has reshaped the country's economic landscape, forcing policymakers to confront difficult choices about how to manage rising obligations while sustaining economic growth. In the short term, the government's ability to meet key payments such as the March 2026 Eurobond maturity will be crucial for maintaining investor confidence and avoiding a crisis scenario. Over the longer term, however, the sustainability of Senegal's debt will depend on broader structural reforms, improved fiscal governance, and the outcome of negotiations with the IMF and other partners. Whether through reprofiling, new financing arrangements, or deeper fiscal adjustments, Senegal's approach to resolving its debt challenges will likely serve as an important case study for other African countries facing similar pressures. As the situation continues to evolve, the central question remains how Senegal can reconcile the imperatives of debt sustainability, economic sovereignty, and inclusive development.

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