# Sovereign Debt News Update No. 176: From Hidden Debt to Political Crisis: Senegal, the IMF, and the Crisis of Economic Sovereignty

**By:**

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Senegal is currently confronting one of the most significant sovereign debt crises on the African continent. The country is facing mounting pressure arising from undisclosed liabilities, growing domestic and external debt burdens, strained relations with the International Monetary Fund (IMF), and increasing investor anxiety over the possibility of debt restructuring. Since the election of President Bassirou Diomaye Faye in 2024, the new administration has repeatedly stated that it inherited a much worse fiscal position than previously disclosed under former President Macky Sall. Subsequent audits and IMF reviews revealed billions of dollars in previously unreported liabilities, prompting the suspension of Senegal's US$1.8 billion IMF programme in 2024 and triggering a broader reassessment of Senegal's fiscal credibility by international markets and financial institutions. As previously highlighted in

AfSDJN Sovereign Debt News Update No. 163, Senegal's hidden debt controversy reflects broader concerns regarding opaque borrowing practices, weak debt disclosure systems, and the increasing use of complex financial instruments that obscure sovereign liabilities while deepening African states' vulnerability to debt distress.

While media coverage has increasingly focused on tensions between President Faye and former Prime Minister Ousmane Sonko, the significance of the current developments lies less in a personal political dispute and more in what these tensions reveal about competing visions for managing Senegal's debt crisis. At the centre of these differences are questions regarding whether Senegal should pursue debt restructuring, how far the country should align itself with IMF prescriptions, and what political and social costs Senegalese citizens should bear in order to restore market confidence. This update explores how, since May 2026, these disagreements have increasingly shaped Senegal's domestic politics, relations with creditors, and broader economic trajectory.

## IMF Engagement and Emerging Differences within the Faye Administration

The current phase of Senegal's debt crisis intensified in May 2026 when President Faye assumed a more direct role in negotiations with the IMF. On 12 May 2026, Senegal's presidency announced that Faye had personally met IMF Managing Director Kristalina Georgieva on the sidelines of the Africa Forward Summit in Nairobi, hosted by Kenyan President William Ruto alongside French partners and international investors. Reuters reported that the meeting focused on Senegal's debt crisis and possible pathways toward restoring IMF support after the suspension of the country's lending programme. According to the presidency, debt negotiations were an issue "*the President is personally committed to and to which he is dedicating all his energy.*"

This meeting was politically significant because it increasingly revealed diverging positions within Senegal's leadership regarding how to address the country's debt overhang. While President Faye appeared more open to continued engagement with the IMF and possible restructuring discussions, Prime Minister Ousmane Sonko reportedly resisted externally driven policy reforms and opposed restructuring proposals that could further expose Senegal to IMF conditionalities and austerity pressures. Reuters noted that Sonko had characterised pressure for restructuring as "a disgrace," particularly where such measures would involve subsidy removals and fiscal consolidation measures affecting ordinary Senegalese citizens.

These tensions reflected deeper ideological differences regarding economic sovereignty and Senegal's future relationship with international financial institutions. Of note, an increasingly visible divergence between Faye and those within government favouring "pragmatic" engagement with creditors, and Sonko and those advocating greater resistance to IMF-backed adjustment measures.

### The Dismissal of Sonko and the Escalation of Political Uncertainty

Political tensions within Senegal's leadership reached a turning point on 22 May 2026 when President Faye dismissed Prime Minister Sonko and dissolved the government after months of growing disagreement over economic policy, debt management, and IMF negotiations. Reuters reported that the disagreements had intensified over how Senegal should address its worsening debt situation, including whether the country should consider debt restructuring and the extent to which it should comply with IMF-supported reforms.

The dismissal immediately transformed Senegal's debt crisis into a broader political crisis. Investors interpreted Sonko's removal as evidence of growing instability within the ruling administration and uncertainty regarding the government's future policy direction. Reuters subsequently reported that Morgan Stanley warned investors would increasingly begin pricing in a higher probability of Senegal defaulting on its debt obligations. Senegalese bonds fell sharply following Sonko's dismissal, with analysts warning that the country's bond curve could significantly underperform in the short term. Morgan Stanley estimated that bond prices could decline by three to four points as markets reassessed Senegal's restructuring risk profile and political stability.

The market reaction demonstrated the extent to which sovereign debt crises are deeply political. Rather than merely assessing macroeconomic fundamentals, investors closely monitored internal political alignments and leadership dynamics to determine whether Senegal would ultimately adopt creditor-friendly reforms. Sonko's removal was interpreted by some investors as creating greater space for IMF-backed reforms, while others viewed it as evidence of institutional fragmentation and governance instability. In both cases, the debt crisis increasingly shaped political authority within Senegal itself.

The political uncertainty also reflected wider tensions regarding economic sovereignty. Sonko had built much of his political appeal around opposition to externally imposed economic models and frustration with the social costs of neoliberal reforms. His removal therefore generated concerns among sections of the Senegalese public regarding whether the government was moving closer toward IMF orthodoxy at the expense of its earlier promises regarding sovereignty and economic transformation.

## Appointment of Ahmadou Lo and the Search for Market Confidence

Following Sonko's dismissal, President Faye appointed economist Ahmadou Al Aminou Lo as the new Prime Minister on 25 May 2026. Lo previously headed Senegal's national branch of the Central Bank of West African States and was widely viewed by international markets as a technocratic figure capable of stabilising relations with creditors and the IMF. Appearing on state television following his appointment, Lo stated that he sought to reassure both the local private sector and foreign investors, while acknowledging Senegal's difficult financial situation.

International financial markets responded cautiously to the appointment. With reports that Senegalese bonds initially remained under pressure despite Lo's appointment, reflecting continued uncertainty regarding whether the administration would ultimately pursue restructuring, further IMF negotiations, or deeper fiscal consolidation measures. Investors remained concerned about Senegal's growing debt burden, weakened transparency credibility, and increasingly constrained access to international capital markets.

Lo's appointment nevertheless signalled an important shift in the government's approach to the crisis. His technocratic and central banking background contrasted sharply with Sonko's more politically confrontational posture toward international financial institutions. The appointment therefore reinforced perceptions that President Faye was increasingly prioritising economic stabilisation, investor confidence, and renewed IMF engagement as central pillars of Senegal's crisis management strategy.

At the same time, the appointment also reflected the structural constraints confronting highly indebted African states. Senegal's deteriorating debt dynamics, rising borrowing costs, and limited fiscal space increasingly reduced the government's room for manoeuvre. The Financial Times reported that Senegal had already shifted heavily toward domestic borrowing through the regional CFA franc market after effectively losing affordable access to international bond markets. Domestic bond yields rose sharply, with three-year bond yields exceeding 8% and one-year bond yields reaching approximately 7.5%, significantly increasing refinancing pressures.

### Sonko's Election as Speaker of Parliament and Institutional Tensions

The political ramifications of Sonko's dismissal did not end with his removal from the office of Prime Minister. On 26 May 2026, Sonko was elected Speaker of Parliament, immediately positioning himself at the centre of Senegal's institutional politics and preserving his influence within the ruling coalition and broader political landscape. Reuters observed that his election created the possibility of deeper institutional tensions between parliament and the presidency, particularly regarding IMF-backed reforms and debt negotiations.

Political analysts quoted by Reuters suggested that Sonko's new role could complicate efforts to implement fiscal consolidation measures required to restore IMF support. Importantly, the dispute between Faye and Sonko should not be understood simply as a personal rivalry. Rather, it increasingly reflects competing approaches to how Senegal should navigate debt distress, external pressure, and the broader question of economic sovereignty. While Faye appears increasingly willing to pursue pragmatic engagement with creditors and international institutions, Sonko's position has reflected greater scepticism toward restructuring and IMF conditionality. Upon his election as Speaker of Parliament, Sonko told parliament that he held policy differences with Lo, particularly on debt management, underscoring divisions that were already evident even before the new prime minister had formally formed his government. He added that his support would depend on Lo's approach to debt restructuring, the protection of purchasing power, and shielding citizens from rising prices, making clear that his backing of President Faye's agenda remained conditional.

These differences are politically significant because they shape how Senegal’s debt crisis is likely to evolve. If the government moves toward IMF-supported austerity measures, subsidy reductions, or restructuring negotiations, tensions within the ruling coalition could intensify further. Conversely, attempts to resist creditor demands could deepen investor anxiety and worsen financing conditions. Senegal therefore faces not only a debt management challenge but also a broader governance dilemma regarding how democratic mandates can coexist with the pressures imposed by international finance and creditor institutions.

**IMF Pressure, Debt Sustainability, and the Crisis of Sovereignty**

The IMF has consistently emphasised the seriousness of Senegal’s debt vulnerabilities and the need for what it describes as “*credible*” policy responses. During the IMF Spring Meetings in Washington in April 2026, IMF Africa Director Abebe Selassie stated that Senegal required additional analysis and deliberation before a new programme could be finalised. Selassie stated: “We wanted to take time and allow the government time to come up with a program strategy that’s going to be credible, financeable, and avoid too much austerity on the people of Senegal.” He further acknowledged that discussions required “*quite a lot of deliberation.*” Yet the IMF’s position in Senegal remains deeply contradictory. Senegal accumulated significant hidden liabilities during a period in which the country remained under IMF surveillance and engagement. Reports indicated that the IMF itself initiated internal reviews into how the debt discrepancies escaped detection, including reviews of its “data integrity frameworks” and staff monitoring systems.

This contradiction has generated wider criticism regarding the IMF’s role in African debt crises. Critics increasingly argue that the IMF does not merely intervene after crises emerge but is often structurally implicated in the conditions that produce them. By encouraging borrowing-driven growth, prioritising market confidence, and imposing fiscal frameworks centred on external financing, the IMF contributes to the accumulation of vulnerabilities that later justify intervention and austerity. Senegal’s experience therefore reflects broader debates regarding whether IMF involvement genuinely resolves debt crises or instead reproduces cycles of dependency, adjustment, and constrained economic sovereignty.

**Domestic Debt Markets, Financialization, and Regional Spillovers**

Another critical dimension of Senegal’s crisis concerns the country’s increasing dependence on domestic and regional financial markets. The Financial Times reported that Senegal has increasingly relied on domestic bond issuances within the regional UMOA-Titres market after losing affordable access to international financing. However, this strategy has become increasingly difficult as yields continue rising and investor confidence weakens. Senegal's dollar bonds due in 2031, 2033 and 2048 declined at the London open following Sonko's election as Speaker of Parliament, as investors reacted to growing political tensions and uncertainty surrounding the country's debt restructuring path. Particularly concerning are reports regarding Senegal’s use of total return swaps (TRS) and other opaque financing arrangements involving international financial institutions. According to the Financial Times, rising domestic bond yields could trigger collateral obligations and margin calls associated with these structures, thereby worsening Senegal’s liquidity pressures. Such instruments have generated criticism due to their opacity and their capacity to obscure the true scale of sovereign liabilities. These developments echo wider AfSDJN concerns regarding the use of complex financial instruments such as TRS that undermine democratic oversight and debt transparency within African sovereign borrowing.

The regional implications are equally significant. Senegal’s debt crisis has contributed to growing investor nervousness across West African sovereign debt markets, including around the Togolese bond bid and broader regional borrowing activity within the WAEMU monetary union. As investors reassess sovereign risk across the region, Senegal’s experience highlights how debt distress within one country can rapidly generate spillover effects across interconnected regional financial systems.

According to the IMF, a mission in the week of June 15 in Dakar will continue technical discussions with authorities. IMF Communications Director Julie Kozack stated that the talks would focus on reaching a shared understanding of Senegal’s macroeconomic outlook, financing needs, and reform priorities in order to address the country's “significant debt vulnerabilities. Overall, the negotiations between Senegal and the IMF are viewed as critical to restoring investor confidence and reassuring creditors about the country's economic direction. Analysts warn that the absence of a clear policy roadmap could lead investors to demand higher borrowing costs in response to growing political and economic uncertainty. Key concerns include delays in implementing reforms, uncertainty over debt management, risks to currency stability, and the possibility of increased public spending. These factors have also heightened fears of slower economic growth and additional pressure on Senegal's creditworthiness.

## Conclusion

Senegal’s debt crisis has evolved rapidly from a controversy surrounding hidden liabilities into a broader political and institutional crisis shaped by competing visions regarding debt management, IMF engagement, and economic sovereignty. Since May 2026, tensions between President Faye and Ousmane Sonko have increasingly reflected deeper disagreements regarding whether Senegal should pursue restructuring, how far it should accommodate IMF prescriptions, and what social and political costs should accompany efforts to restore fiscal credibility.

The timeline of recent developments demonstrates how sovereign debt crises are never merely technical economic events. The meeting between President Faye and IMF Managing Director Kristalina Georgieva in Nairobi, Sonko’s subsequent dismissal, the appointment of Ahmadou Lo, and Sonko’s later election as Speaker of Parliament all reveal the extent to which debt governance reshapes political authority, institutional dynamics, and democratic decision-making within heavily indebted states.

At the same time, Senegal’s crisis raises wider questions regarding the role of the IMF within African debt governance. Although the IMF now presents itself as supporting Senegal’s recovery and transparency reforms, the institution remained deeply involved in Senegal during the very period in which liabilities were allegedly concealed. This contradiction reinforces broader concerns that the IMF does not simply arrive to resolve crises after they emerge but is often structurally implicated in producing the financial conditions that make such crises possible.

Ultimately, Senegal’s experience demonstrates that debt transparency, fiscal governance, and economic sovereignty remain fundamentally political questions. Without meaningful reforms to both domestic borrowing practices and the international debt architecture itself, African countries will likely continue facing cycles of hidden debt, market discipline, austerity pressures, and constrained policy autonomy.

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