Senegal: Worsening political crisis puts IMF arrangement prospects at risk | Credendo

Event

On 22 May, Prime Minister Ousmane Sonko and his ministers were sacked by President Faye following months of rising tensions between the former close allies from the ruling Pastef party. They openly disagreed over policy direction, especially with regard to the public debt crisis and IMF negotiations. On 25 May, President Faye named a new cabinet and appointed seasoned economist Ahmadou Al Aminou Lo as prime minister. As the party's founder, Sonko enjoys strong support among Pastef lawmakers, who hold a large majority in parliament and reinstalled him as speaker of parliament. This gives Sonko the power to counterbalance or block decisions put forward by the government.

Impact

Senegal's recent public debt crisis has been gradually unfolding since 2024, following the disclosure of debt hidden by the previous government. Public debt more than doubled to 132% of GDP in 2024, and the IMF suspended its USD 1.8 billion financial support programme in response. A new IMF programme could help prevent a disorderly default and support recovery from the debt crisis. However, the Senegalese government's unwillingness to consider the IMF's preconditions of full transparency and debt restructuring has led to a stalemate. To meet its gross financing needs, Senegal is taking on more expensive short-term domestic and regional debt, which will further weaken the country's fiscal position through soaring debt-servicing pressures in the coming year, creating a high sovereign default risk.

Despite leaving government, Sonko will remain highly influential by retaining parliamentary power. He is a vocal critic of the IMF and firmly rejects public debt restructuring, while President Faye has always been more pragmatic. Faye's newly appointed government wants to resume talks with the IMF this month, but the split between Faye and Sonko could paralyse governance and obstruct reform implementation if an IMF deal is reached. If Sonko uses his parliamentary leverage to block reform implementation and debt restructuring, any IMF arrangement would quickly derail and deprive the country of vital financial support. President Faye's lack of power within the ruling party will weaken his ability to govern, which may prompt him to call new legislative elections in December 2026. It is fair to say that the formal power split worsens the prospects for recovery and raises the risk of a disorderly default in the near term.

Despite the recent start of production at the GTA gas fields, economic growth is set to slow to 2.2% in 2026, from 7.9% in 2025. The impact of the conflict in the Middle East is uncertain: export revenues may benefit from higher oil prices, but this will probably be offset by rising fuel import costs. Moreover, the resulting increase in the cost of living is further fuelling public discontent and the risk of social unrest. Credendo classifies Senegal in the second-highest MLT political risk category, 6/7, with the outlook tilted to the downside.

Analyst: Louise Van Cauwenbergh – l.vancauwenbergh@credendo.com