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POLICY BRIEF

RESOLVING SENEGAL'S INDEBTEDNESS: TWO LESSONS FROM GHANA'S 2022-23 CRISIS*

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Key Takeaways

- **The External Debt Burden:** *Senegal's current government faces the burden of servicing a $25billion external debt it inherited from former President Macky Sall in 2024. As a result, President Bassirou Diomaye Faye's government is stuck between a stalled $1.8billion IMF extended credit facility and a home-grown Economic and Social Recovery Plan which aims to tighten budgetary allocations and mobilise over $8billion domestically. Rather than imposing austerity, Senegal would be better off restructuring its external debt. Attempting to refinance the external debt will only prolong the country's distress. Finally, maintaining lower budget deficits as part of the recovery plan will limit government's financial policy space for transformative projects.*
- **The Dangers of Domestic Restructuring:** *Ghana's Domestic Debt Exchange Program, a domestic debt restructuring that was instituted in response to the country's 2022-23 debt crisis produced huge socio-economic costs; from a contraction of the domestic banking sector to inflation, currency depreciation and widespread socio-political agitations. Senegal should draw a lesson from Ghana and avoid any domestic debt restructuring.*
- **Domestic Resource Control:** *In contrast to its economic collapse between 2022 and 2024, Ghana stabilised its economy via a gold-for-reserves program overseen by the Ghana Gold Board (GoldBod). GoldBod has a monopoly in the sourcing, licensing, purchasing and exportation of gold and other precious minerals in Ghana. By controlling the minerals trade, GoldBod's operations increased the Bank of Ghana's gold reserves by 62% and added $10.8billion in foreign exchange reserves in a single year. This policy decision by President John Dramani Mahama demonstrates the centrality of domestic resource ownership and control, a lesson that should guide Senegal's economic and social recovery plan.*

Introduction

Senegal is at the crossroads of new national political-economic ambitions under President Bassirou Diomaye Faye and an insidious debt crisis left behind by Macky Sall whose term ended in 2024. The ratio of total public debt to Gross Domestic Product (GDP), though not as analytically and policy relevant as it is often presented, is estimated to be about 132%. Between 2012 and 2024, external debt rose from about US$ 4billion to US$ 25billion under Macky Sall[1]. Similarly, external debt as a share of Gross National Income (i.e. % of GNI) increased from about 41% in 2012 to 150% at the close of 2024[2]. More importantly, the consequence of the rapid external debt accumulation is that the new Faye-Sonko government is likely to be saddled with significant external debt service payments for the entirety of its term from 2024 to 2029[3].

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* The views expressed here are those of the author(s) and do not necessarily reflect the views of IDAN.

[1] World Bank International Debt Statistics https://data.worldbank.org/indicator/DT.DOD.DECT.CD?locations=SN
[2] ibid
[3] Sylla, N.S.(2024) Sortir du système dette : Faye-Sonko face au legs de l'émergence https://www.sudquotidien.sn/sortir-du-systeme-dette-faye-sonko-face-au-legs-de-lemergence-par-ndongo-samba-sylla/

This brief offers insights on the way forward in the resolution of Senegal's current debt distress. Before Senegal, other West African economies, notably Ghana, have faced debt crises since the COVID-19 pandemic. In July 2022, Ghana, West Africa's second largest economy, formally declared a debt crisis and sought support from the International Monetary Fund (IMF). While negotiating with the IMF, Ghana's public finances continued to deteriorate, leading to a default on external debt payments in December 2022[4]. The debt crisis was accompanied by sharp depreciation of the Ghanaian Cedi against major currencies, heightened inflation, and a general deterioration of living standards. In May 2023, Ghana reached an agreement for a three-year $3billion extended credit facility and the country has pursued a reform program scheduled to be concluded by the end of April 2026. The Ghanaian government's handling of its 2022-23 crisis offers useful lessons that should guide President Bassirou Diomaye Faye's management of Senegal's current crisis. Specifically, two key lessons should be considered. The first involves the dangers and economic costs of domestic debt restructuring. The next relates to the centrality of domestic resource ownership and control in addressing liquidity crises. Both are elaborated below.

The Dangers and Economic Costs of Domestic Debt Restructuring

There have been numerous critiques of IMF-supervised economic reform programmes over the years. These programmes are often underpinned by an insistence on maintaining tighter government budget balances mostly through the imposition of austerity in debt-distressed developing countries. Some recent critical analyses have addressed the current Senegalese crisis, warning the IMF against demands for budget surpluses[5]. There is no need to rehash the longstanding theoretical arguments against austerity. However, it is worth describing how the austerity-based debt restructuring template has itself evolved into a more subtle – though no less ruthless– form, as is exemplified by the recent experience of Ghana.

Following the exit from an earlier IMF reform programme which began in 2015, the Ghanaian government, then led by President Nana Akufo-Addo, quickly returned to international capital markets, borrowing more than US$ 11billion in Eurobonds between 2018 and 2021. Simultaneously, large domestic debts were accumulated. External debts rapidly increased by about 80% from US$ 20.1billion in 2015 to US$ 36.2 billion in 2021. Similarly, external debt service tripled from US$ 1.05billion to about US$ 3.23 billion[6].

Consequently, the excessive external debt service costs, consistent sovereign downgrades by rating agencies, and an eventual loss of access to borrowing in the international capital markets and partial debt default in 2022 drove the government to seek an IMF bailout. Under the guidance of the IMF, the Akufo-Addo government instituted a Domestic Debt Exchange Programme (DDEP), making Ghana the first African country to restructure its domestic debt.

[4] Ministry of Finance (2019) Suspension of payments on selected external debts of the Government of Ghana. https://mofep.gov.gh/press-release/2022-12-19/suspension-of-payments-on-selected-external-debts-of-the-government-of-ghana

[5] Sylla, N.S. (2025) Déficit et dettes du gouvernement : ce qu'il faut comprendre. https://www.nettali.com/2025/02/22/deficit-et-dettes-du-gouvernement-ce-quil-faut-comprendre/Economy. https://doi.org/10.1080/09538259.2025.2479742

[6] Akolgo, I.A. (2023) Ghana's Debt Crisis and the Political Economy of Financial Dependence in Africa: History Repeating Itself? Development and Change 54(5): 1264-1295. https://onlinelibrary.wiley.com/doi/full/10.1111/dech.12791

The DDEP was part of meeting the IMF condition of Ghana restructuring its debt with creditors prior to the IMF Executive Board's approval of the US$ 3billion extended credit facility which was later approved in May 2023. Under the DDEP, the government unilaterally varied its obligations to domestic holders of government notes and bonds. On December 4th, 2022, the Ministry of Finance famously invited domestic investors to exchange their bonds – some of which had matured in 2022, for new bonds whose interest payments were to start in 2024 and whose maturity dates now fell between 2027 and 2037[7]. The government effectively delayed principal reimbursements and interest payments of institutional bondholders such as pension funds, trade unions, insurance firms and individual bondholders, which provoked ripple effects not only on households but also throughout a domestic banking sector which was heavily reliant on government securities.

Simultaneously, worsening economic indicators – inflation at about 54.1% at the end of 2022; depreciation of the Ghanaian Cedi by 54.2% against the US Dollar in November 2022 and the central bank's inflation-targeting regime, drove interest rates higher and increased the cost of living for Ghanaians[8]. Consequently, there were widespread demonstrations by various interest groups across the country. The resultant hardships pushed many Ghanaians to vote massively against the government in the 2024 general elections. Akufo-Addo's New Patriotic Party (NPP) did not only lose the presidential election but also lost more than two-thirds of its parliamentary seats to the National Democratic Congress (NDC).

The outcome of Ghana's debt restructuring process and the subsequent political fallout that resulted in a rejection of President Nana Akufo-Addo's New Patriotic Party at the 2024 general election is an important lesson to President Diomaye Faye's government on how to handle the debt crisis it inherited from Macky Sall. The Nana Akufo-Addo government experimented with politically costly domestic debt restructuring measures, imposing the burden of restructuring on domestic investors while protecting external commercial debt holders. Senegal should avoid this.

There is no reason to impose austerity (cuts in social services spending, public investment, etc.) or to shift the restructuring burden on domestic debt holders as much of the debt problem is external and cannot be addressed by simply contracting the domestic economy. Economists have emphasized[9] that for countries borrowing in currencies other than their own currency, repayment is contingent on the extent to which the debtor country is able to accumulate enough foreign exchange either through trade, remittances or aid. Domestic revenues collected in the local currency cannot be used for repayment of foreign currency debt. Similarly, countries usually default in external debt issued in foreign currencies and not that which is issued in domestic currencies. Countries like Senegal, Ghana, and Zambia who borrow in foreign currencies, face a solvency risk and could be forced to default, in contrast to Northern countries like Japan which borrow essentially in their own national currency. Japan, even at more than 200 % of sovereign debt to GDP, cannot default. However, Ghana and Zambia have defaulted at levels much lower than this. However, domestic debt restructuring has the tendency to stymie national private sector development and impose hardships on citizens.

[7] Ministry of Finance (2022) The launch of Ghana's domestic debt exchange programme. https://www.mofep.gov.gh/sites/default/files/basic-page/Domestic-Debt-Exchange-Launch.pdf

[8] See footnote 6.

[9] Sylla, N.S. (2024) Sortir du système dette : Faye-Sonko face au legs de l'émergence https://www.sudquotidien.sn/sortir-du-systeme-dette-faye-sonko-face-au-legs-de-lemergence-par-ndongo-samba-sylla/

Solving Liquidity Constraints through Control of Domestic Resources

In a sharp contrast to the Nana Akufo-Addo government whose belief in foreign private finance led to large Eurobond issues, a massive debt burden for Ghanaians and a punitive domestic restructuring program, the new John Dramani Mahama government demonstrated that control of national resources, at the least, offers an important bulwark against recurring liquidity crises, and at most, a sustainable path to financing national development. What is often presented as a debt crisis in African economies originates from a liquidity crisis –an insufficiency of foreign exchange reserves to back imports of finished, intermediate and capital goods, as well income repatriations of foreign direct investments. The structurally dysfunctional development pattern that produces this kind of import-dependent economy has been the subject of a long-standing debate. In this brief, we are concerned primarily with how to address the foreign exchange "shortages" that induce sovereign debt crises.

Economists in the continent, especially those within IDAN[10], have often linked debt crises with the lack of ownership and control of national resources. The export values of extracted natural resources often outweigh the import bills of African economies, notwithstanding the injustice and volatility of international markets for commodities like gold, crude oil, cocoa, peanut, coffee, among others. However, African sovereigns receive far less than the actual export values because these resources are controlled by foreign multinational corporations and governments. The consequence is that the state never receives sufficient value for its exports to meet import needs.

In just one year, the Ghanaian government has demonstrated that increased control over domestic resources can reverse the liquidity crisis the country has faced since 2022. What did the Mahama-led government do in 2025, its first year of government since the 2024 elections?

Gold has historically been an important foreign-exchange earner for Ghana. In the midst of the three-year IMF reform programme which began in 2023, and having lost access to external borrowing, the government resorted to ways it could control gold revenues to expand its reserves. Under the Bank of Ghana's Gold-for-Reserves (G4R) programme, the Ghana Gold Board (GoldBod) was established by law as the sole institution responsible for the licensing, sourcing, buying, assaying, valuing and exportation of gold and other precious minerals in Ghana[11]. In 2025, the G4R focused on Artisanal and Small-scale Mining (ASM) sector. The Bank of Ghana provided a revolving fund for GoldBod's purchase of gold from small-scale miners. The gold was then exported and forex credited to the Bank of Ghana accounts. In one year, the GoldBod recorded the highest volume and value of gold exports in the ASM sector. It increased gold exports from about 63 tons to 103 tons (see Table 1) between 2024 and 2025 respectively. This more than doubled export revenues from ASM gold from US$4.6billion in 2024 to US$10.8billion. This coincided with a period of rising world gold prices which averaged over US$4000 per ounce in the last quarter of 2025. Increased state control allowed the country to capture the windfall gains resulting from higher gold prices.

[10] Sylla, N. S. (2024) Revisiting the foreign debt problem and the" external constraint" in the periphery: An MMT perspective (No. 1067). Levy Institute Working Paper

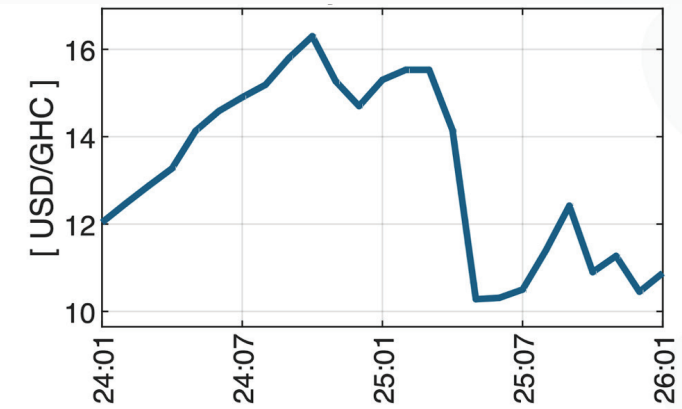
[11] GOLD BOARD Act, 2025 (Act 1140) https://goldbod.gov.gh/wp-content/uploads/2025/04/GHANA-GOLDBOD-ACT-ACT-1140.pdf"https://GoldBod.gov.gh/wp-content/uploads/2025/04/GHANA-GOLDBOD-ACT-ACT-1140.pdf

Table 1: Artisanal and Small-scale Mining Gold Exports

Year	Volume (gross weight in tons)	Value per XRF (USD)	World Gold Price Per troy ounce (USD)[12]
2018	75.7	2.8 billion	1,226.3
2019	53.4	2.2 billion	1,481.0
2020	39.3	2.0 billion	1,874.2
2021	3.4	185 million	1,795.3
2022	22	1.1 billion	1,725.9
2023	37.4	2.1 billion	1,971.5
2024	63.6	4.6 billion	2,663.4
2025	103	10.8 billion	4,135.2

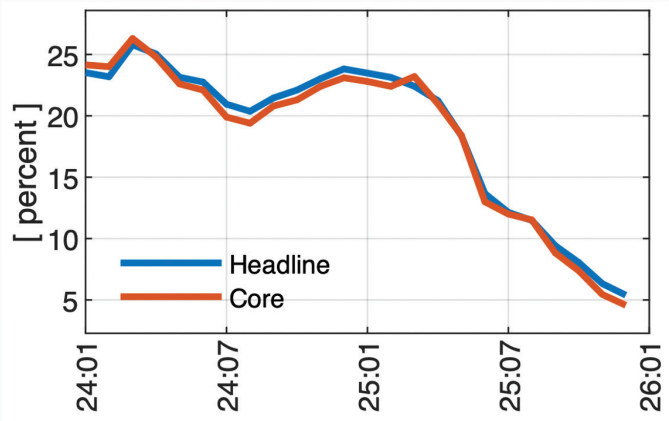
Source: Constructed from GoldBod (2026) https://GoldBod.gov.gh/GoldBod-backs-gold-for-reserves-impact-with-hard-data/ and World Gold Council (2026) https://www.gold.org/goldhub/data/gold-prices#from-login=1&just-verified=1

Figure 1: Ghana Cedi/US Dollar Exchange Rate 2024-2026



Source: Bank of Ghana (2026) Summary of Economic Statistics https://www.bog.gov.gh/wp-content/uploads/2026/01/Summary-of-Economic-and-Financial-Chart-January-2026.pdf

Figure 2: Ghana's Inflation Trend 2024-2026



Source: Bank of Ghana (2026) Summary of Economic Statistics https://www.bog.gov.gh/wp-content/uploads/2026/01/Summary-of-Economic-and-Financial-Chart-January-2026.pdf

[12] Prices are the quarterly average of the last quarters of each year.

The BoG-GoldBod G4R intervention had significant positive implications for macroeconomic stability. GoldBod's G4R program contributed to a sharp growth of Ghana's gross international reserves by more 55% from about $8.9billion (about 4months of import cover) at the end of 2024 to about $13.8billion (about 6months of import cover) in December 2025[13] The increases in gold and foreign exchange reserves aided a rapid appreciation of the Ghanaian Cedi against the US Dollar from about 15 Ghana Cedis to 1 US Dollar at the end of 2024 to about 10.8 Ghana Cedis to 1 US Dollar at the end of 2025 (see Figure 1). The Cedi's gains against foreign currencies absorbed the effects of imported inflation, contributing to significant decline in headline inflation from 23.8% to about 5.4% within the same period (see Figure 2).

The modest but stabilising impact of the GoldBod intervention has inspired a gradual effort to increase indigenous ownership and control of mining concessions in Ghana. These gains are by no means a panacea to the longstanding development finance crisis that Ghana has faced. However, they signal the potential of African states to avoid precarious reliance on foreign commercial loans when most of the foreign exchange needs could be easily met when governments control domestic resources and the revenues that accrue from them. This is an important and unavoidable effort that should be taken to maintain stability in the balance of payments.

[13] Bank of Ghana (2026) Summary of Economic and Financial Data: January 2026. https://www.bog.gov.gh/wp-content/uploads/2026/01/Summary-of-Economic-and-Financial-Data-January-2026.pdf

Conclusion

The Senegalese government's launch of its Economic and Social Recovery Plan in August 2025, while a sincere attempt to stop the financial bleeding, seems to suggest adherence to an IMF template of domestic austerity to 'balance the books'. Downsizing government agencies and limiting public expenditure as the Senegalese government has done recently[14] in the context of measures aimed at raising over $8billion domestically[15], while prudent, will do little to reduce over US$ 25billion in external debt obligations. There is also the case for measures such as increasing domestic taxes and enforcing compliance as was indicated in the Economic and Social Recovery Plan. Based on Ghana's experience, suggestions by Prime Minister Ousmane Sonko that this external debt will not be restructured should be reconsidered. Certainly, it is important that any potential debt restructuring does not result in foreign creditors being privileged and domestic creditors and citizens punished through an explicit or clandestine programme of socio-economic austerity. External creditors must accept haircuts to their investments and perhaps delayed, renegotiated interest payment terms. The hidden debt of over US$ 13.3billion which was left behind by the previous government requires special treatment. Whether under an IMF extended credit facility or government's restructuring without the IMF, Senegal should not repeat the Ghanaian path of domestic debt restructuring.

The government has signaled in the Economic and Social Recovery Plan that it would renegotiate strategic contracts. This is an important move that can strengthen Senegal's net foreign assets and reduce its external financial vulnerability. From oil and gas to the peanut industry, the goal should not only be recovering lost tax revenues but asserting more government control of resources and the export revenues arising from their exploitation and sales.

Amidst the current debt crisis, Senegal must explore every option available to increase its share of the foreign exchange revenues accruing from its natural resources sector. The unique legal context and prevailing contractual agreements will guide policymakers in the task of renegotiating or abrogating each resource contract.

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[14] Reuters (2026) Senegal cuts government agencies to save cash amid debt woes https://url-shortener.me/KZJ2

[15] Reuters (2025) Senegal unveils recovery plan to rely on domestic funding. https://www.reuters.com/world/africa/senegal-unveils-recovery-plan-rely-domestic-funding-2025-08-01/