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POLICY BRIEF

SENEGAL UNDER PRESSURE: IS RELIANCE ON THE WAMU FINANCIAL MARKET SUSTAINABLE?*

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Key Takeaways

- **Unsustainable Regional Market Reliance:** In 2025 alone, Senegal raised 2,225 billion CFAF on the West African Monetary Union (WAMU) market, paying interest at some 7.5 percent on medium-term instruments, with outstanding debt multiplied 4.8-fold in six years and average debt maturity of just 2.32 years.
- **A Structural Ceiling on Regional Financing:** WAMU regional financing is not a substitute for hard currency borrowing. In the context of the CFA franc's fixed euro peg and the WAMU zone's chronic external deficits, expanding CFAF issuances structurally depends on continued foreign currency indebtedness, imposing a hard ceiling on the regional market's capacity to meet Senegal's financing needs.
- **The Need for a New Monetary Architecture:** The WAMU framework offers no durable exit from Senegal's debt trap. The country thus faces a fundamental choice between remaining bound to a monetary system that subordinates development to exchange-rate defense or pushing for monetary architecture in which the central bank serves as both a guarantor of public solvency and an engine of structural economic transformation.

Introduction

Following the election of the President Bassirou Diomaye Faye in March 2024, the government discovered that it had inherited a severe and growing debt crisis which had remained hidden from official statistics despite early warning signs such as the debt/GDP ratio breaching the WAMU 70% threshold. A February 2025 Court of Auditors report documented massive hidden debts accumulated between 2019 and early 2024. However, instead of being welcomed as an act of transparency, this disclosure triggered immediate and adverse reactions. Yields surged, with the Senegalese Eurobond maturing in 2028 reaching a record yield of 50 percent by April 2025, compared to less than 10 percent two years earlier, effectively closing international markets.[1] Simultaneously, negotiations with the IMF for a new programme stalled, removing access to concessional financing and the "catalytic" signal an IMF programme sends to other creditors. The IMF suspended a $1.8 billion programme, leading to several successive credit rating downgrades. With virtually no access to external capital markets, Senegal's gross financing needs amounted to some 27.7 percent of GDP in 2025 compared to a projected 27.1 percent of GDP for 2026.

In that context, Senegal has turned towards the West African Monetary Union (WAMU) financial market to meet part of its financing needs.[2] In 2025, the country issued securities valued at 2.2 trillion CFAF on the regional market, a 122-percent increase over 2024, representing nearly 19 percent of total WAMU issuances. This move has been hailed by the Senegalese government and some commentators as an alternative to international sovereign bond issuances and proof of the benefits of sharing a common currency and a regional financial market.

This brief argues that the increasing recourse to the WAMU financial market is a palliative and short-term measure that cannot satisfy Senegal's financing needs. Indeed, given the institutional design of the WAMU, especially the obligation to defend a fixed peg in the context of chronic external deficits, the expansion of regional finance is premised on the accumulation of official foreign exchange through indebtedness in hard currencies.

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

[1] Ministère de l'Économie du Plan et de la Coopération (2026) Sénégal : Développements économiques récents et Perspectives, Republic of Senegal, Dakar, March, p. 31-32

[2] On this broader trend in developing countries, see Sy, A. and A. Laws (2026) The New Face of African Debt, Finance & Development, vol. 63, issue 1, March: 38-41.

How The WAMU Financial Market Operates

When government spending exceeds its revenues (tax, non-tax, and foreign aid), the public sector financial balance is in deficit. From an accounting perspective, a public deficit always corresponds to a matching surplus for the non-government sector, which includes the private sector and the external sector. Hence, a government deficit of 3 percent of GDP implies a 3 percent surplus for the non-government sector. Public debt at any given point in time (in April 2026, for example) represents the cumulative total of past public deficits. In other words, the public debt stock is the accounting record of the net savings created for the non-government sector.

Two definitions are important for understanding the WAMU context. A currency-based definition classifies debt as external if denominated in foreign currency (dollars, euros) and domestic if denominated in CFAF. A residency-based definition classifies debt according to the creditor's residence, regardless of currency. The currency-based definition is more operationally relevant, since issuances purchased by foreign and domestic investors in WAMU are mostly in CFAF.

Debt service comprises two components: repayment of principal (amortisation) and payment of interest. Only interest payments are typically drawn from current tax revenues; principal repayment is subject to rollovers, i.e. governments refinance maturing debts by issuing new securities rather than repaying it from their revenues. For example, according to the Initial Finance Bill for 2026, projected domestic revenues amount to 5,741 billion CFAF versus a total debt service of 5,498 billion CFAF (1,191 billion as interest payments and 4,307 billion as principal to be refinanced).

The WAMU Public Securities Market (MTP) is the platform through which WAMU's eight member states sell securities denominated in CFAF to banks and investors across the zone. Two main instruments exist. Treasury Bills (BAT) are short-term government securities with maturities less than two years, used to cover immediate cash-flow requirements. Assimilated Treasury Bonds (OAT) are medium-term securities with maturities of three, five, or seven years. A regional agency, UMOA-Titres, organises weekly auctions on behalf of member states.[3]

Government securities are sold or acquired by primary dealers, accredited banks and financial institutions authorised to bid directly at auctions. The primary dealers each have a reserve account at the BCEAO and to purchase securities, they must have an adequate level of BCEAO reserves. These reserves – central bank electronic money - can only be created by the BCEAO itself, so any given investor (a citizen, a foreign entity or a financial institution) interested in acquiring sovereign bills or bonds in the WAMU market must work through a primary dealer. In case some primary dealers do not have enough BCEAO reserves, they can borrow from other financial institutions within the WAMU and/or from BCEAO. BCEAO also established a Financial Stability Fund to prevent the occurrence of sovereign defaults on CFAF-denominated securities. However, as we will see, given the fixed peg against the euro, there are limits to how much reserves the BCEAO could create to facilitate the refinancing of WAMU's banking and financial system.

2. The 2023-2024 Turning Point

Between 2019 and 2022, issuances by the Senegalese government on the regional market totaled a minimum of 365 and a maximum of 1,511 billion CFAF per annum. In 2025, this figure leapt to 2,225 billion CFAF: an increase of 122.8 percent in a single year. In other words, the exposure of financial institutions operating in the WAMU to Senegalese public securities increased two-fold between 2024 and 2025. On the syndication market, a further 1,795 billion CFAF were subscribed, bringing the total to 4 trillion CFAF, the equivalent of 18.7 percent of Senegal's GDP.

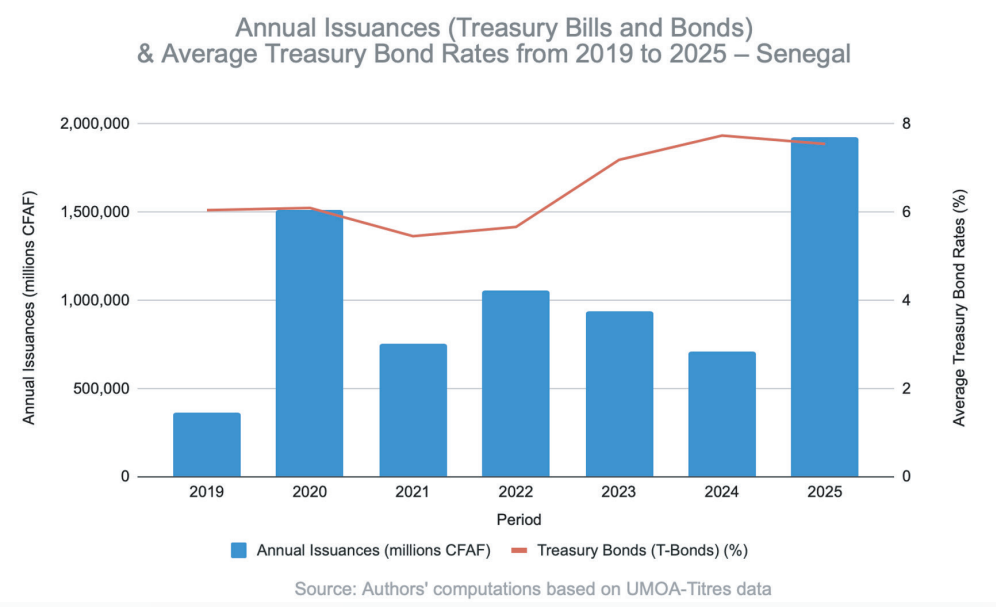
[3] UMOA-Titres, Statistiques des émissions de titres publics de l'UMOA, séries 2019-2026. Available at: https://www.UMOAtitres.org

Senegal's share of total WAMU issuances rose from 12.3 percent in 2024 to 18.8 percent in 2025, for an economy representing only 14.5 percent of WAMU's GDP. By comparison, Côte d'Ivoire, which accounts for 38.6 percent of regional GDP, accounted for 43.4 percent of issuances. As shown in Table 1, Senegal's share in WAMU total issuances was beyond what its regional economic weight could justify.[4]

Table 1: Senegal's Share of WAMU Public Securities Issuances (2019–2025)

Year	Senegal (bn CFAF)	WAMU total (bn CFAF)	Senegal share (%)
2019	365	~2,700	~13.4
2020	1,511	~4,700	~11.6
2021	757	~3,400	~11.6
2022	1,052	~4,200	~19.8
2023	939	~5,100	~16.7
2024	708*	8,127	12.3
2025	2,225**	11,859	18.8

**708 bn via MTP auctions. **2,225 bn via MTP + 1,795 bn via APE (syndication). Sources: UMOA-Titres; MEPC, March 2026; authors' calculations.*



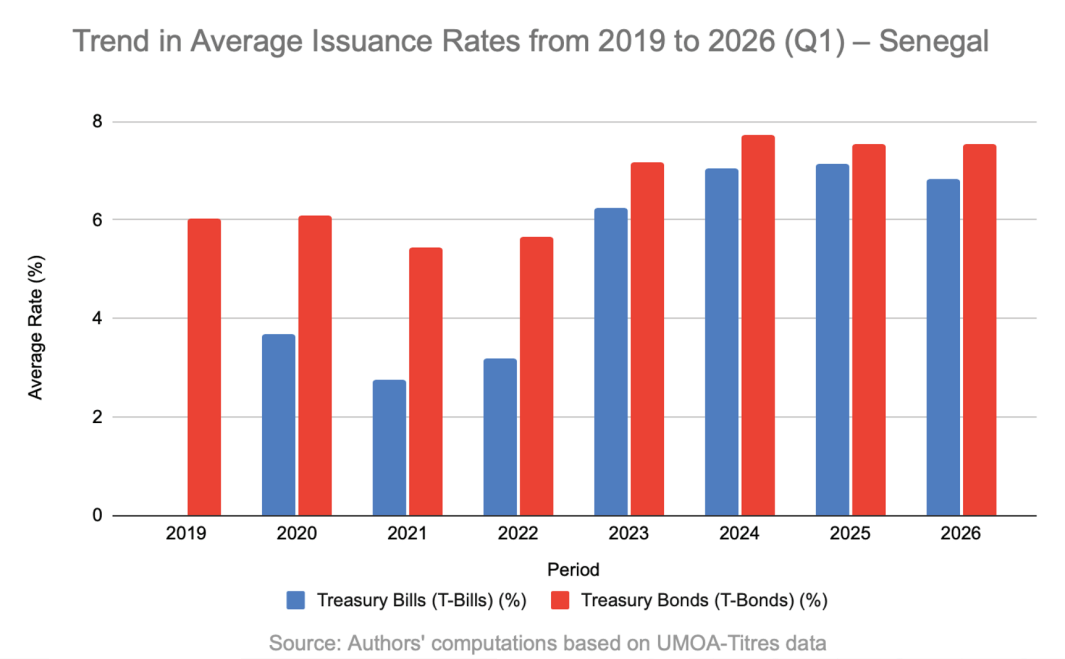
3. The Growing Cost of Regional Financing

Senegal's intensified recourse to the regional market has not been without consequences. UMOA-Titres data reveal a continuous rise in issuance rates since 2023. For Treasury Bills, the average weighted yield rose from 3.18 percent in 2022 to 7.05 percent in 2024, before settling at 7.14 percent in 2025. For Treasury Bonds, the trajectory was similar: from 5.66 percent in 2022 to 7.73 percent in 2024, easing to 7.54 percent in 2025.[5] A rate of 7.5 percent on medium-term CFAF bonds is above the average rate of nominal GDP growth recorded in Senegal during the past decade and is likely to remain so in the coming years.

[4] MEPC (2026), p. 27 and Table 9; UMOA-Titres annual reports; author's calculations.

[5] UMOA-Titres data, compiled in authors' analysis.

This rate increase is not unique to Senegal, but its drivers differ across countries. The BCEAO's September 2024 Monetary Policy Report identifies three converging factors at the WAMU level: growing financing needs of member states, heavy bank exposure to sovereign risk, and additional risk premia linked to security and political uncertainties. Three-year Treasury Bonds record the highest yields across WAMU: a signal that investors view short- and medium-term refinancing risk as particularly elevated.[6]



Source: Authors' computations based on UMOA-Titres data

Table 2: Regional Comparison of Issuance Rates and Debt/GDP (2024-2025)

Country	Avg. T-Bills rate (%)	Avg. T-Bonds rate (%)	Debt/GDP 2024 (%)
Senegal	7.05 → 7.14	7.73 → 7.54	119.0
Côte d'Ivoire	~4.5	~6.97	59.6
Benin	~4.2	~7.14	53.4
Togo	~5.0	~7.8	65.3
Burkina Faso	~6.1	~9.12	52.7
Niger	~7.0	~9.82	47.0
Mali	~8.5-9.0	~9.42	46.8
Guinea-Bissau	~9.2-10.7	~9.96	80.0

Sources:

Rates: Agence Ecofin, January 2025; individual UMOA-Titres auction results (APA News, November 2024, for Guinea-Bissau); BCEAO, September 2024.

*Debt/GDP: IMF World Economic Outlook, October 2024; IMF Country Report — Mali, 2025; Barclays/S&P revised estimate for Senegal; countryeconomy.com for Guinea-Bissau.[10]**

[6] BCEAO, Rapport de politique monétaire, Dakar, septembre 2024, cited in MEPC (2026), p. 27.

Table 2 reveals a differentiated picture. On Treasury Bonds, Senegal's rate of 7.54 percent remains below those of countries facing active security crises such as Burkina Faso (9.12 percent), Niger (9.82 percent), Mali (9.42 percent), and Guinea-Bissau (9.96 percent). On Treasury Bills, the gap narrows considerably: Senegal's 7.05-7.14 percent approaches Niger's ~7.0 percent and significantly exceeds rates paid by Côte d'Ivoire (~4.5 percent), Benin (~4.2 percent), and Togo (~5.0 percent). This compression on the short end of the yield curve directly reflects the risk premium investors attach to Senegal's near-term refinancing position. The difference in yields applying to WAMU sovereigns is clear proof that WAMU, like the Eurozone, is an incomplete monetary union. Under an institutional arrangement where fiscal federalism would prevail, only one federal sovereign debt would exist and yield spreads among member governments would disappear.

4. WAMU Regional Financing in CFA and Foreign Currency Indebtedness

According to the Ministry of Economy's March 2026 report: "Senegal presents a high risk of medium-term debt stress." The probability of debt non-stabilisation is estimated at 81.3 percent under the IMF analytical tool applied to the baseline scenario. Nonetheless, and despite the lowering of GDP growth projections for 2026 from 5 percent to 2.5 percent, the report remains rather optimistic about the prospect of fiscal consolidation. This relative optimism is anchored in the belief that the regional financial market offers Senegal a safety valve with regards to significant and pressing liquidity needs.

According to the Ministry's report, WAMU membership provides collective monetary anchoring: the BCEAO's foreign exchange reserves, maintained above six months of WAMU's imports, constitute a shared liquidity backstop unavailable to non-member sovereigns. The participation of Ivorian banks, which alone held 35.9 percent of Senegalese securities in 2025, broadens the investor base beyond the limits of the Senegalese financial system. In addition, the report underscores that remittances from the Senegalese diaspora, estimated at 11 percent of GDP, provide an additional and relatively stable source of foreign exchange.

However, what is not sufficiently understood is that the BCEAO refinancing capacity – the ability to create the volume of reserves needed to refinance the WAMU banking and financial system – is structurally constrained by the fixed exchange rate regime. Indeed, within the CFA framework, the BCEAO must defend a fixed peg against the euro (1 euro = 655,957 CFAF). Legally speaking, the BCEAO must do its best to maintain at least a ratio of 20 per cent between its official foreign exchange reserves and the monetary base (i.e. the financing it creates for the banking and financial system). In other words, when the BCEAO creates 100 CFAF of reserves, it must make sure that it has a level of official foreign reserves equivalent to 20 CFAF. Actually, the BCEAO often maintains a ratio close to 70 per cent, meaning that its official foreign exchange reserves "cover" 70 per cent of its monetary base.

The main point here is that any efforts at the refinancing of WAMU economies is subordinated to the defense of the peg against the euro.[7] BCEAO can create reserves only to the extent that it does not endanger this peg - which leads to a devaluation of the CFAF against the euro. In simple terms, BCEAO must have enough euros and dollars in order to facilitate the financing in CFAF of WAMU's economies. However, WAMU as a bloc and its member countries individually have been running chronic external deficits at least since 1980.[8] In other words, for the past half-century, WAMU has been accumulating net foreign exchange not through the generation of trade (and current account) surpluses but rather through structural indebtedness in foreign currencies - IMF loans and more recently Eurobond issuances. The logic described here can be illustrated with a quote from the BCEAO 2024 annual report:

[7] Pigeaud, F. and N. S. Sylla (2021) Africa's Last Colonial Currency. The CFA Franc Story, London: Pluto Press. Koddenbrock, K. and N.S. Sylla (2019) 'Towards a political economy of monetary dependency. The case of the CFA Franc in West Africa', Discussion Paper 19/2, Paris: MaxPo.

[8] Carrera, A., A. Cencini, A., N.S. Sylla (2026) Beyond the 'hidden debts' narrative: A one-country reform to eliminate Senegal's pathological debt burden, Policy Brief n°3, IDEAS-Africa Network LBG, Accra and Dakar: Ghana and Senegal.

> "The monetary base contracted by 814.1 billion or 5.1% in 2023, standing at 15,119.5 billion at the end of December 2023. This trend is driven by the decline in loans to banks and financial institutions (-751.6 billion) and the Central Bank's net foreign assets (-2,733.8 billion). It was mitigated by the increase in net claims on central government entities of 3,341.2 billion, including 340.8 billion in loans through IMF financing." (our translation) [9]

In a context marked by chronic external deficits and the defense of a fixed peg, regional market liquidity has been so far premised on increased borrowing in foreign currency. So, ceteris paribus, a "deepening" of WAMU financial market will require more hard currency borrowings by WAMU sovereigns. This structural constraint matters for any assessment of how much further the regional market can respond to Senegal's financial needs without Senegal freeriding on other WAMU members and pressuring BCEAO's foreign exchange reserve targets.

For now, Senegal, can behave as if such structural constraints do not exist as long as other member countries are not themselves in desperate straits. If WAMU member countries were to decide, as Senegal has, to all go "all in" in the regional financial market, either the CFAF peg against the euro would be in danger or they would have to be rationed each, as is the case now, to the level consistent with the defense of the peg.

5. Discussion and Conclusion

The Senegalese government's growing recourse to the WAMU financial market is a "normal" move given that it no longer has access to international capital markets where multilateral and bilateral sources of finance have dried up. However, there are structural limits to how far the country can and should go in that direction.

The increased issuances on the WAMU financial market can no doubt help the country roll over its maturing bonds, bills and other debts denominated in CFAF, no matter how costly they might be. When it comes to the service of foreign-currency denominated debts, however, there are several caveats to consider. The proceeds from the sales of financial assets in CFAF can be used to service foreign debts only if BCEAO agrees to convert them in the relevant foreign currencies. Given on the one hand the sizable external debt service of Senegal and the other WAMU member countries, especially Cote d'Ivoire and Benin, and on the other hand, the obligation to defend a peg, the BCEAO cannot allow these currency conversions to happen at a significant scale. This certainly explains why the recent report of the MEPC conditions the country's sustainable debt path to a new agreement with the IMF and a smooth return to international capital markets (see Annex C).

In principle, legally speaking, whenever the BCEAO lacks foreign exchange, it can benefit from loans from the French Treasury as a makeshift overdraft facility. This is the practical meaning of the so-called "unlimited convertibility guarantee" of the CFA franc by the French Treasury. In practice, the monetary system is run to prevent the activation of this "guarantee". Whenever the ratio between the official foreign exchange reserves and the monetary base passes below 20 per cent, the BCEAO must adopt a more restrictive monetary policy, according to the legal agreement concluded with the French Treasury. As a result, from 1960 to present, this "guarantee" was used only in the 1980s. Otherwise, and especially since the 1994 devaluation of the CFA franc, the BCEAO has usually maintained a level of official foreign exchange reserves covering 70 % of its monetary base.[10] Logically, if that "convertibility guarantee" were real, it should have led to lower levels of official foreign reserves accumulation. One can also pose the question of why any WAMU government would ever issue a Eurobond. Theoretically, they could instead issue CFA-denominated bonds, use the proceeds and ask BCEAO to convert them in the relevant hard currencies. If the BCEAO did not have enough foreign reserves, it would just have to borrow from the French Treasury, certainly at rates lower than market ones. However, as this "guarantee" is putative, BCEAO is actually subject to a foreign exchange constraint.

[9] BCEAO (2023) Rapport Annuel 2023, BCEAO, Dakar, Senegal, p.34.

[10] Pigeaud and Sylla (2021) Africa's Last Colonial Currency, chap.4

Despite the myth of the "unlimited convertibility guarantee" and the strictures of this monetary system, it is important to remember that WAMU member states had access to BCEAO advances of up to 20 percent of prior-year fiscal revenues until 2010. This facility did provide direct financing at low costs that partially insulated governments from the volatility of market-based borrowing. The elimination of these advances followed reforms that transposed the Eurozone's macroeconomic framework onto WAMU. It was premised on the idea that the development of WAMU financial market required greater availability of sovereign debt instruments and issuances that could also serve as collateral for financial actors.[11] This logic is not objectionable per se: financial market development and the growth of sovereign debt in domestic currency must go hand in hand. A more fundamental issue is that BCEAO has not been acting as a guardian of the solvency of its member states. It could have guaranteed the sustainability of sovereign debts issued in the WAMU financial market by ensuring that yields applying on them remained below nominal GDP growth. However, this has proven impossible for BCEAO. Given its obligation to defend the CFA franc peg against the euro, the Bank cannot act as a market maker of last resort and has little control over the interest rate prevailing in the interbank market.

In conclusion, CFAF-denominated financing on the WAMU market is not an alternative to foreign currency financing. The expansion of the former is premised on the growth of the latter, given the choice to maintain a fixed peg against the euro and the zone's chronic external deficits. It is thus an illusion to believe that lasting solutions to Senegal's debt predicament can come from the WAMU as it operates so far. Moving forward, the urgent question to be asked is whether Senegal will continue to evolve within an institutional framework designed for (neo)colonial extraction, or whether it will advocate for a different monetary architecture in which the central bank is a guarantor of sovereign solvency (in domestic currency) and an agent of economic development concerned with industrial transformation rather than the defense of the euro peg at all costs.

Annexes

Annex A — Evolution of Senegal's Outstanding Debt on the WAMU Market (2019–2025)

Year	Outstanding (bn CFAF)	Annual change (%)	of which T-Bonds (bn)	of which T-Bills (bn)
2019	928	–	929	–
2020	1,514	+63.2%	~1,200	~314
2021	1,742	+15.1%	~1,400	~342
2022	2,365	+35.8%	~1,700	~665
2023	2,795	+18.2%	~1,900	~895
2024	3,252	+16.4%	~2,200	~1,052
2025	4,453	+36.9%	~3,100	~1,353

Sources: UMOA-Titres; Analysis of UMOA-Titres Data — Senegal 2019–2026.

[11] Magnan-Marionnet, F. (2026) "Les émissions de titres de dette souveraine en zone Franc : évolutions, enjeux et principaux défis en UEMOA et dans la CEMAC," Techniques Financières et Développement, n° 123, 39–52.

Annex B – Debt Service and Tax Revenues of Senegal (2024–2028, bn CFAF)

Indicator	2024 (actual)	2025 (actual)	2026 (proj.)	2027 (proj.)	2028 (proj.)
Tax revenues	3,693	4,087	4,365	4,819	5,277
Debt interest	822	1,057	1,011	740	614
Amortisation	869	4,004	3,911	2,627	2,736
Total service	1,691	5,061	4,922	3,367	3,350
Service/Revenue (%)	45.8%	123.8%	112.8%	69.9%	63.5%
Gross financing need	n.d.	5,970	6,048	5,725	6,545

Sources: DPBEP 2026-2028; MEPC (2026) [12]

Annex C – Detailed Analysis of the MEPC's Central Scenario Assumptions

The MEPC's central scenario projects total public debt declining to 84 percent of GDP by 2034. This projected trajectory rests on three simultaneous assumptions.

First, sustained fiscal consolidation: the deficit path assumes continued adjustment toward primary balance in 2026 and beyond, without triggering a further contraction of non-hydrocarbon growth below its already reduced 2025 level of 1.6 percent.

Second, a timely IMF agreement: the scenario requires that concessional financing and the catalytic signal of a Fund programme are restored in the near term, unlocking lower borrowing costs and restoring creditor confidence. As Doyle (2025) notes, this depends on the Fund accepting primary balance targets aligned with Senegal's development needs rather than models that systematically underestimate the contractionary effects of fiscal adjustment in low-income contexts.[13]

Third, a return to international capital markets: the scenario assumes renewed external market access despite a sovereign rating of CCC+ on the CFAF scale and eurobond yields that rendered issuance prohibitive as recently as April 2025.

The simultaneous realisation of these assumptions is precisely what the Ministry's own analytical tool flags when it assigns an 81.3 percent probability to debt non-stabilisation.

[12] Ministère de l'Économie du Plan et de la Coopération (2026) Sénégal : Développements économiques récents et Perspectives, op.cit.

[13] Doyle, P. (2025) "IMF Disgrace: Senegal," Financial Afrik, 20 October, https://www.financialafrik.com/en/2025/10/20/imf-shame-senegal/

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