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STRATEGIC FORESIGHT PROTOCOL · STRUCTURAL DIAGNOSTIC

Senegal:

Structural Diagnosis and Scenarios

A relational reading of debt, oil and the social contract



October 2026

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Report Information



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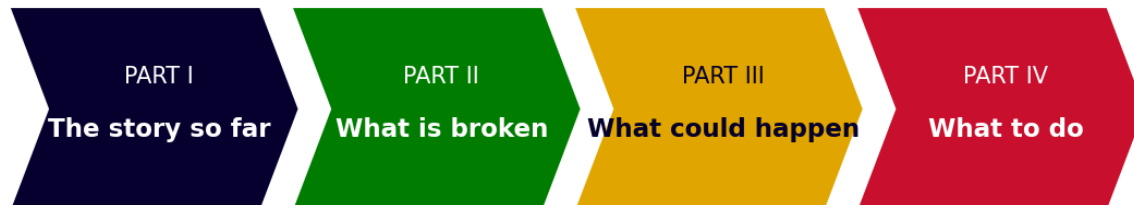
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NARRATIVE ARC

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OVERVIEW

Executive Summary

6.7% Real GDP growth, 2025	≈132% → ≈100% Public debt / GDP: end-2025, then on rebased GDP	7.6% 2026 budget deficit, % of GDP
790.3 bn Energy subsidies, CFA francs (tripled)	130 / 165 Assembly seats held by Pastef	23.5% Youth unemployment (15–34), Q2 2026

Senegal's crisis is not, at root, a fiscal crisis. It is a **relational crisis** that has surfaced as a fiscal crisis. The distinction is not academic. It determines what a government, an investor, an industrialist, or a young person should do next.

The conventional reading of Senegal in October 2026 is familiar. A new government discovered that its predecessor had concealed between \$7 billion and \$13 billion in borrowing, driving the debt stock to more than 130 per cent of GDP. The IMF suspended its programme, the country lost access to international bond markets, and a painful adjustment followed. Oil and gas, which were supposed to finance a development transformation, arrived just as the fiscal position collapsed. Growth, which reached 6.7 per cent in 2025 on the back of hydrocarbon production, is now forecast at 2.5 to 2.7 per cent in 2026. The government has negotiated a \$2.2 billion IMF programme conditioned on a debt restructuring under the G20 Common Framework,^[1] and the political alliance that won the 2024 election has fractured, with President Bassirou Diomaye Faye and National Assembly Speaker Ousmane Sonko locked in a struggle over the budget and the direction of the state.^{[3][8]}

That account is accurate in its facts. It is incomplete in its diagnosis. It measures the transactions and the structures. It does not measure the relationships that determine whether those transactions and structures can be sustained. Senegal's formal economy rests on a set of relational bargains: between the state and the industrial and commercial class that generates formal output and tax revenue; between the state and the working class that provides labour and social peace; between the state and a youthful, dependent population that has been promised inclusion; and between the state and its external creditors, who provide financing on terms that are not reciprocal. Each of these relationships has been deteriorating for years. The hidden debt did not create the deterioration. It revealed it. The political rupture between Faye and Sonko is not a personality clash. It is the institutional expression of a deeper disagreement about which relationships the state is obliged to honour first.

It is a contest over what the state is for.

The diagnosis in this report proceeds relationship by relationship. The state's relationship with its industrial base has moved from one of mutual recognition and reciprocal commitment to one of recognition without reciprocity. Industrialists are rhetorically acknowledged but institutionally excluded, and the representative body of Senegalese employers has warned that "our major companies are on their knees, our SMEs are in a practically indescribable situation, our workers are in an unspeakable state of

insecurity”.^[15] The relationship with the working class has followed a sequence of delivery, borrowing, and austerity, in which the cost of adjustment is transferred downward while the memory of past promises discounts the credibility of new ones. The relationship with dependents—the young, the students, the pensioners—has been deteriorating since the early 2000s. Youth unemployment stands at 23.5 per cent, nearly half of the population has considered emigrating, and the programmes that exist can accommodate only a fraction of those who need them. The relationship with creditors is structurally asymmetric: the state cannot exit its obligations to its people, while the creditors can reprice, restructure, or walk away. The state has persistently misread this asymmetry as a partnership.

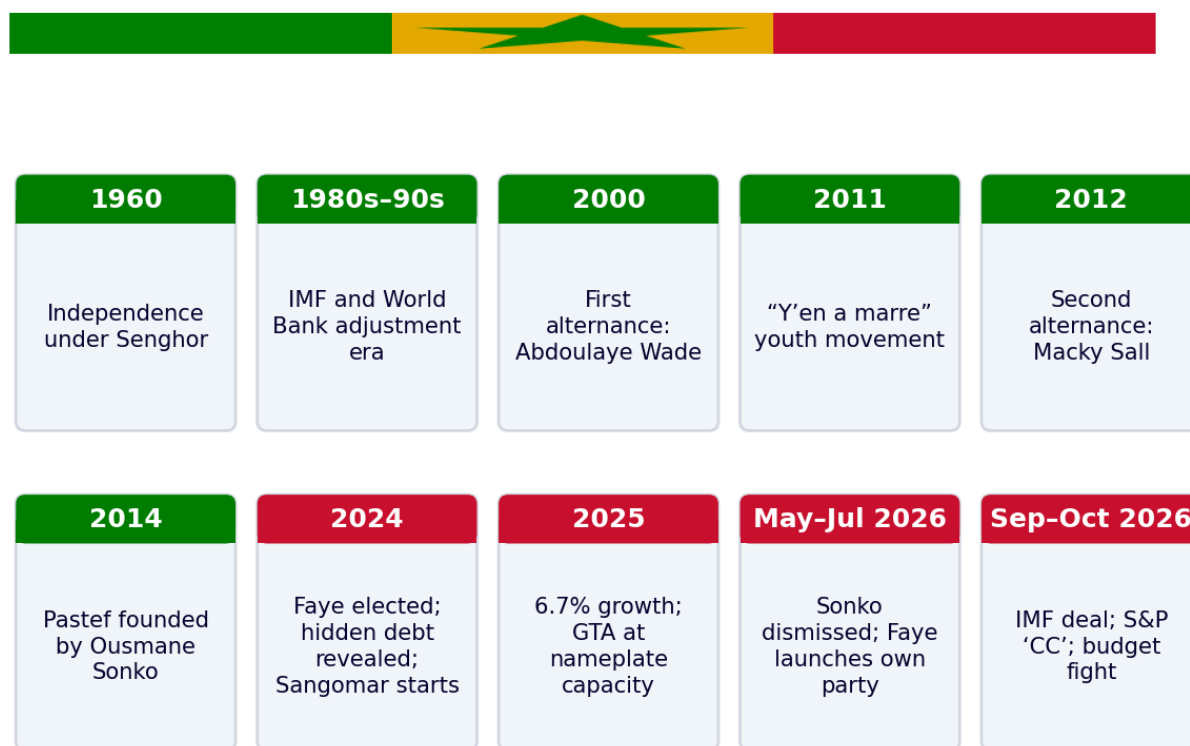
Conventional toolkits miss this diagnosis because they are built to measure transactions and structures, not relationships. Debt sustainability analyses measure the state’s ability to repay, not its ability to hold the trust of its citizens. Credit ratings measure default probability, not social contract integrity. Governance indicators measure institutional quality as defined by external shareholders, not legitimacy as experienced by the governed. These tools are not neutral. They are calibrated to the creditor’s perspective, and when the state uses them, it imports that perspective into its own diagnosis.

Four scenarios follow. In the first, the executive overrides domestic resistance and imposes the adjustment, hollowing out the formal economy and forcing a chaotic default when the tax base collapses. In the second, political stalemate preserves an illusion of stability while the relational base continues to erode. In the third, the state breaks with external creditors, absorbs a severe short-term shock, and restores its commitment to domestic constituencies. In the fourth, political reconciliation and a diversified external realignment minimise the cost of transition. The report assesses the mechanics of each and recommends specific actions for each stakeholder group.

The conclusion is uncomfortable for everyone. For the government, it is that fiscal credibility purchased at the cost of domestic legitimacy is not sustainable. For creditors, it is that a country hollowed out by austerity is a worse debtor than one given the space to rebuild. For industrialists, it is that exit is rational in the short term and self-defeating in the long term. For the young, it is that patience is not infinite and that the memory of broken promises is already the dominant fact of Senegalese political life. For the press and the public, it is that the crisis is not a contest between two men. It is a contest over what the state is for.

PART I · THE STORY SO FAR

1. Historical Background



Green: the long erosion of bargains Red: the present rupture

Figure 1 · Seven decades of relational bargains and ruptures

1.1 The colonial inheritance and the postcolonial bargain

Senegal's post-independence stability is often attributed to its political culture and its institutions. It is better explained by a set of relational bargains that the postcolonial state inherited and adapted. French colonial rule had created a relatively developed infrastructure, an export-oriented groundnut economy, a port and railway integrated into West African networks, and a small assimilated elite with a stake in the colonial administration. At independence in 1960, the new state under Léopold Sédar Senghor and later Abdou Diouf did not dismantle this structure. It managed it. Rural notables were co-opted through patronage and price supports. Urban elites were absorbed into the state apparatus. A commercial class with connections to French networks was allowed to operate in a protected domestic market. The result was not a developmental state in the East Asian sense, but it was a state that maintained a working relationship with its productive base. Industrialists invested, workers were employed, taxes were collected, and the social contract—though narrow and elitist—held.

The groundnut basin was the backbone of this arrangement. Senegal was one of the world's largest groundnut exporters, and the crop supported millions of rural households. The state marketing board set prices, provided seeds, and absorbed some of the price risk. The relationship between the state and the peasantry was mediated through a dense network of rural notables and Islamic brotherhoods, particularly the Mourides and the Tijaniyya. This was not a relationship of equals, but it was a relationship with

reciprocal obligations. The state protected the peasantry from the worst volatility of the world market; the peasantry delivered political loyalty and export revenue.

1.2 Structural adjustment and the erosion of the social contract

The 1970s and 1980s brought a prolonged crisis. The terms of trade for groundnuts deteriorated, drought struck the Sahel, and the fiscal burden of a bloated public sector became unsustainable. Senegal entered successive IMF and World Bank adjustment programmes. These programmes achieved macroeconomic stabilisation, but they did so at a relational cost. The state withdrew from price supports. Public employment was frozen or reduced. The marketing board was dismantled. The social contract that had traded political patience for state provision was weakened. The informal economy expanded to absorb those displaced from the formal sector. By the late 1990s, over 90 per cent of economic units were unregistered, a figure that persists today. The state's relational reach shrank even as its formal structures remained intact.

This period is critical to understanding the present. The structural adjustment programmes did not simply reduce the state's fiscal footprint. They severed the reciprocal obligations that had bound the state to key constituencies. The industrial class lost its protected market. The working class lost its guaranteed employment. The peasantry lost its price support. The state retained its coercive and administrative capacity, but it lost much of its relational capital. The political consequences were delayed, but they were not absent.

1.3 The alternance of 2000 and the Wade years

The 2000 election, which brought Abdoulaye Wade to power, was a genuine democratic rupture. It was also the first clear expression of a generational rupture. An aging, urbanising, and increasingly educated population rejected the Socialist Party's gerontocracy. Wade's response, however, was structural rather than relational. His administration invested heavily in visible infrastructure—the grands travaux, a new airport, a new city project at Diamniadio—while the commitment to broad-based employment and social protection remained weak. The 2008 global food and fuel price crisis exposed the fragility of the urban poor. The 2011 “Y'en a marre” movement, led by young rappers, gave political voice to a generation that felt excluded from the country's projected future. The 2012 election, in which Wade was defeated by Macky Sall after attempting a constitutionally dubious third term, was a second warning signal. The state had projected a future that did not include the people who were being asked to wait for it.

1.4 The Sall years and the hidden debt

The Sall administration (2012–2024) pursued an ambitious structural agenda under the Plan Sénégal Émergent. Growth was respectable, but it was financed increasingly through borrowing that was not fully disclosed. A 2024 audit by the new government revealed that the previous administration had underreported the public debt by an amount estimated at between \$7 billion and \$13 billion, depending on the methodology used. The true debt burden, which had been presented as manageable, was closer to 130 per cent of GDP by the end of 2024. The Court of Auditors later confirmed that the Sall government had understated debt and deficit figures, pegging end-2023 debt at 99.7 per cent of GDP before further reassessments pushed the figure higher. The revelation was not merely a fiscal shock. It was a relational shock. The state had misrepresented its commitments to its own people, to its creditors, and to the

development partners whose trust it depended on. The hidden debt became the symbol of a state that had stopped treating its citizens as principals entitled to the truth.

1.5 The oil and gas discovery

The discovery and development of the Sangomar offshore oil field and the Greater Tortue Ahmeyim (GTA) gas project promised to transform Senegal's fiscal position. Sangomar began production in 2024 and produced 17.9 million barrels in the first half of 2026, with full-year output targeted at 31.6 million barrels. In the first quarter of 2026 alone, the field produced 8.96 million barrels, with the state directly receiving 437,839 barrels valued at approximately \$37.1 million.^[20] The gas project reached its nameplate capacity of 2.7 million tons per annum in 2025. Hydrocarbons drove GDP growth to 6.7 per cent in 2025 and boosted goods exports by more than 50 per cent.

But the timing of this windfall was perverse. It arrived just as the hidden debt was revealed, and it created a fiscal illusion. The state could project a grand development agenda on the strength of resource revenues while neglecting the relational investments that make such an agenda sustainable. The oil did not create the crisis. It revealed the extent to which the state had been substituting projection for commitment. Growth is now decelerating as the one-off production boost fades, and the non-oil economy remains fragile.

Real GDP growth: the one-off hydrocarbon boost fades

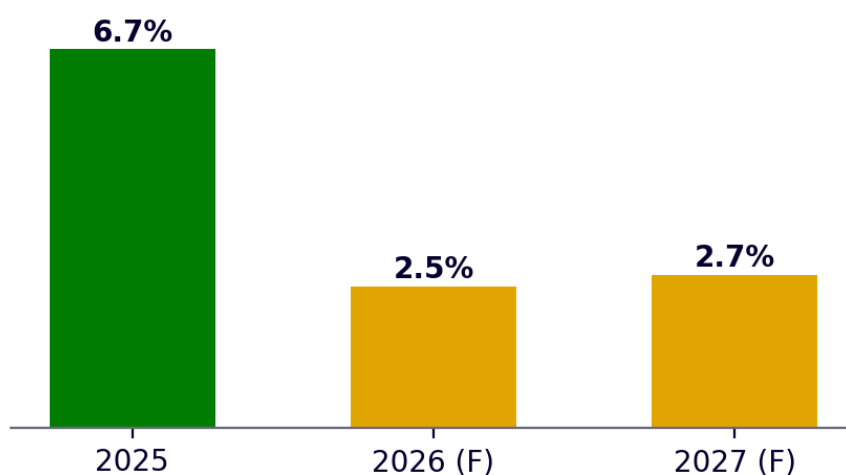


Figure 2 · Real GDP growth, 2025–2027 (EBRD forecasts for 2026 and 2027)

1.6 The groundnut basin and the fisheries: a neglected productive base

The neglect of the productive base is not confined to industry. The groundnut basin, which historically anchored the rural economy, has suffered from chronic soil degradation, declining rainfall, and land pressure. Groundnut yields have structurally declined over the past three decades, and production fell by 46 per cent between the 2022/2023 and 2024/2025 campaigns. Poor access to quality seed, climate-related crop losses, unstable market prices, and high fertiliser costs are pervasive constraints. The fisheries sector, once a major source of export revenue and employment, has also declined sharply, with catches down by as much as 75 per cent according to some estimates. These are not merely sectoral

problems. They are relational problems. The state has withdrawn from the productive relationships that sustained rural and coastal livelihoods, and it has not replaced them with credible alternatives.

1.7 The CFA franc and monetary sovereignty

No account of Senegal's structural position is complete without the monetary arrangement. Senegal is a member of the West African Economic and Monetary Union (WAEMU) and uses the CFA franc, which is pegged to the euro with a French Treasury guarantee and a fixed parity. Monetary policy is set by the Central Bank of West African States (BCEAO), not by the Senegalese government. The peg has delivered low inflation—inflation in Senegal has not exceeded 2 per cent over the last 12 months, a notable achievement in a region where price stability is often elusive.^[12] But it has also constrained the state's ability to respond to shocks. Senegal cannot depreciate its currency to restore competitiveness, cannot finance deficits through money creation, and must maintain foreign exchange reserves and fiscal discipline consistent with the peg. The CFA franc is, in this sense, the clearest institutional expression of the state's subordinate position in its relationship with external creditors and with France.

The debate over monetary sovereignty is not new, but it has acquired new salience.^[11] President Faye made abandoning the currency a campaign promise, and Sonko has described the CFA franc as an instrument of economic domination. Yet the practical path to exit is fraught. The regional market has become the state's principal source of financing since it was locked out of international bond markets, with Senegal raising more than 1,000 billion CFA francs on the UMOA-Titres market in the first half of 2025 alone.^[5] Leaving the CFA franc would disrupt this financing channel, complicate trade with regional partners, and require building a credible national monetary framework from scratch. The debate therefore exposes the core dilemma: the state is dependent on a monetary arrangement that limits its sovereignty, and it has no easy alternative. Monetary sovereignty is the deepest layer of the relational crisis, because it determines the terms on which all other relationships are conducted.

PART I · THE STORY SO FAR

2. The Rise of Pastef, Sonko and Faye

2.1 The founding diagnosis

The political force that now governs Senegal was not built on a conventional party machine. It was built on a diagnosis of relational failure. Ousmane Sonko, a former tax inspector, founded the Patriotes Africains du Sénégal pour le Travail, l'Éthique et la Fraternité (Pastef) in 2014. The party's founding doctrine was explicitly sovereignist. It diagnosed Senegal's condition as one of "unfinished sovereignty"—a country whose economic, financial, and even cultural dependence on external actors had prevented it from achieving genuine self-determination. Pastef's platform called for a renegotiation of the terms of Senegal's integration into the global economy, a rejection of the CFA franc as a monetary arrangement that subordinated Senegalese policy to French and European interests, and a reorientation of the state toward domestic production and employment.

This was not a generic anti-establishment platform. It was a specific claim about the relationship between the state and its people: that the state had become a transmission mechanism for external interests rather than a guarantor of domestic welfare. The party's appeal was strongest among the young, the urban informal sector, and the educated unemployed—the dependents whose trust in the state had been eroding for two decades. Pastef's congress text later described its base as "youth, formal and informal sector workers, urban and rural popular classes, and the diaspora". This was a coalition of the relational excluded.

2.2 The sociology of Pastef

Pastef's sociology is distinctive. It drew heavily from the ranks of tax inspectors, teachers, mid-level civil servants, and precarious urban workers—people with enough education to articulate a critique of the state but without the security of the established elite. The party also built a significant presence in the diaspora, particularly in France, where students, cadres, precarious workers, and activists became organisers and financiers of the movement.^[10] The diaspora mattered not only for money but for legitimacy: it provided a transnational network that could amplify the party's message and sustain it during repression. The party's mobilisation was generational as much as ideological. It spoke to a cohort that had been promised inclusion by the postcolonial state and had not received it.

Sonko's personal trajectory embodied this sociology. A tax inspector by training, he had inside knowledge of the state's fiscal machinery and a capacity to explain its failures in concrete terms. His rhetoric combined technocratic detail with moral denunciation. He was not a traditional opposition figure drawn from the established political dynasties. He was a product of the meritocratic strata that the state had educated but not absorbed.

2.3 Sonko's disqualification and Faye's candidacy

Sonko emerged as a formidable opposition figure. He placed third in the 2019 presidential election and was elected mayor of Ziguinchor in 2022. But in 2023 he was convicted on charges of defamation and

“corrupting youth” in a case that his supporters viewed as politically motivated. The conviction effectively barred him from contesting the 2024 presidential election. Pastef then nominated Bassirou Diomaye Faye, Sonko’s longtime associate and the party’s secretary-general, as its candidate. Faye had also been jailed for criticising the judicial process against Sonko, and both men were released just days before the election.

The 2024 election was therefore not a contest between two equal partners. It was a contest in which the architect of the movement, barred from running, delegated the candidacy to his deputy. Faye won with over 54 per cent of the vote, and his first act was to appoint Sonko as prime minister. Pastef won a large majority in the National Assembly, securing 130 of 165 seats. The relational logic was clear: Faye held the constitutional office, but Sonko held the mandate.

2.4 The divergence

The partnership began to fracture in 2025. The immediate trigger was the debt crisis. When the hidden debt was revealed, Sonko, as prime minister, made it the centrepiece of a sovereignty narrative. He publicly attacked the idea of debt restructuring, arguing that it would bring “shame” on the country and that rhetorical rupture with the Bretton Woods institutions was itself a source of negotiating power. Faye, by contrast, moved toward engagement with the IMF. He received IMF delegations, opened a national dialogue, and ultimately negotiated a \$2.2 billion programme accompanied by a debt restructuring under the G20 Common Framework.^[1]

The divergence was not merely tactical. It reflected two different understandings of what sovereignty required. For Sonko, sovereignty was a method of government that began with the refusal of conditional external discipline. For Faye, sovereignty was exercised through negotiated engagement, preserving access to financing while seeking to manage an inherited catastrophe. The budget became the terrain on which this disagreement was fought. In October 2026, Sonko, by then speaker of the National Assembly, called on Pastef parliamentarians to reject the rectificative finance law.^[3] The budget proposed a 30 per cent reduction in fuel subsidies, a cut in investment spending, and a fiscal deficit of 7.6 per cent of GDP.^[6] Sonko argued that the budget made deputies complicit in austerity imposed on a population already suffering. Faye formally cemented the break in July 2026 by launching his own party, the Republican Patriots.

The rupture between Faye and Sonko is therefore not a personal rivalry. It is a conflict between two operators. Faye’s government is the state as it currently exists: a transmission mechanism for the creditors’ preferences, executing a fiscal consolidation that transfers the cost of adjustment to domestic constituencies. Sonko is attempting a reset: an assertion that the state must restore its commitment to its own people before it can credibly project a development agenda. The tragedy is that both diagnoses contain elements of truth. The stalemate between them is the political form of the relational crisis.

PART I · THE STORY SO FAR

3. The State as at October 2026

3.1 Political configuration

President Faye holds the constitutional authority of the executive. He has appointed Ahmadou Al Aminou Lô as prime minister and formed a government without Pastef ministers. But Faye lacks an independent party machine. His Republican Patriots party is new and has attracted defectors from Pastef, but it does not control the National Assembly. Pastef, under Sonko's leadership,^[9] holds 130 of 165 seats. Sonko was elected speaker of the National Assembly in May 2026, four days after Faye dismissed him as prime minister. The result is a cohabitation in which the executive and the legislative majority are controlled by rival factions of the same political movement. Faye cannot dissolve the National Assembly until at least November 2026, two years after the last legislative elections, at which point he could call new elections, but the outcome is uncertain. The political system is therefore frozen at the precise moment when decisive action is required.

Pastef in the National Assembly
(under Sonko as Speaker)

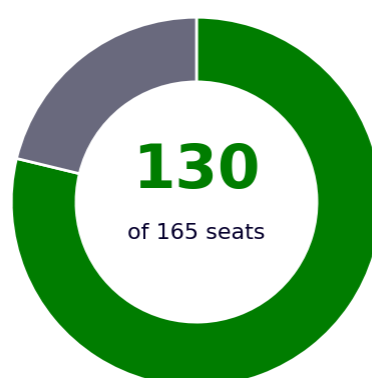


Figure 3 · Seats held by Pastef, the party now split from the President

3.2 Fiscal configuration

The fiscal position is severe. Public debt was reassessed at approximately 130 per cent of GDP following the 2024 disclosure of hidden borrowing, and by end-2025 it had reached 25.2 trillion CFA francs, or about 132 per cent of GDP. After spending cuts, tax increases, and a rebasing of GDP, the debt ratio remains around 100 per cent of GDP, with interest payments consuming nearly a quarter of government revenues. The 2026 budget deficit has been revised upward to 7.6 per cent of GDP, driven largely by a tripling of energy subsidies to 790.3 billion CFA francs.^[6] General budget revenue has been revised down to 5.52 trillion CFA francs, 415.5 billion below the initial projection, while expenditure is projected at 7.25 trillion. Debt service for 2026 is estimated at 5,498 billion CFA francs, roughly \$9.6 billion, with almost 70 per cent of state revenue absorbed by debt repayment alone.^[25] Interest payments alone absorb 23.7 per cent of revenues.

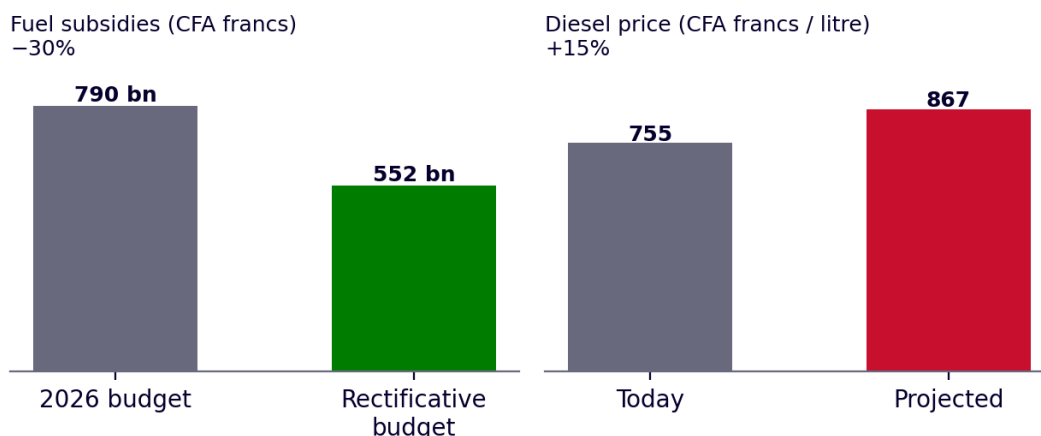


Figure 4 · The revised 2026 budget: subsidies cut, spending still above revenue

The government has reached a staff-level agreement with the IMF for a 36-month, \$2.2 billion Extended Credit Facility, under which Senegal will seek to restructure its external debt through an enhanced version of the G20 Common Framework.^[1] The restructuring is expected to cover close to \$4.8 to \$5 billion of Eurobonds, while CFA franc-denominated debt will remain outside the scope.^[5] S&P downgraded Senegal's foreign currency rating to 'CC' and its local currency rating to 'CCC' in September 2026, and Moody's cut the country to Caa2, citing the debt restructuring plan and elevated refinancing risks.^{[28][29]} The United States has indicated that it wants the restructuring completed in less than twelve months, but the terms have not yet been published and the creditor vote mechanics remain unresolved.^{[2][4]}

3.3 Economic configuration

The hydrocarbon sector is performing well. Sangomar produced 17.9 million barrels in the first half of 2026, and the GTA gas project is exporting LNG. But growth is decelerating as the one-off production boost fades. The EBRD forecasts growth of 2.5 per cent in 2026 and 2.7 per cent in 2027, down from 6.7 per cent in 2025. The government's own revised forecast is 2.7 per cent for 2026, down from an initial 5 per cent. The non-oil economy is under severe strain. The National Confederation of Employers of Senegal (CNES) has warned that "our major companies are on their knees, our SMEs are in a practically indescribable situation, our workers are in an unspeakable state of insecurity".^{[15][16]} The private sector faces an outstanding domestic debt that is stifling cash flow, a volatile social climate, major tax and customs measures implemented without prior consultation, and an unsustainable tax burden on the informal sector. The tax burden has risen to around 19–20 per cent of GDP, approaching the WAEMU target, but it relies heavily on indirect taxation and falls disproportionately on a narrow formal base.^{[18][21]} SMEs represent 99.8 per cent of Senegalese businesses, but 97 per cent of them operate in the informal sector, outside the tax net. The informal economy represents approximately 40 to 50 per cent of GDP and more than 80 per cent of employment.^[19] Foreign direct investment collapsed to \$37 million in 2025. Remittances from the diaspora, estimated at 2.2 trillion CFA francs annually, or nearly 10 per cent of GDP, have become a more reliable source of external financing than investment.^[17]

3.4 Social configuration

The demographic pressure is immense. Senegal's population is approximately 19.5 million, with a median age of 19 and 60 per cent of the population under 25. Youth unemployment reached 23.5 per cent in the second quarter of 2026 among those aged 15 to 34, compared with 14.7 per cent among older workers.^[30]

The labour force participation rate among young people was 46.3 per cent, indicating that fewer than half were economically active. Nearly half of the population has considered emigrating, an increase of seven percentage points since 2017.^[13] The formal labour market cannot absorb the flow of young people entering it. Training programmes can accommodate only a fraction of applicants: the PF2E programme receives about 20,000 applications annually but can enroll only 1,500.^[14] The state's capacity to deliver on the promise of education, employment, and social protection is severely constrained, and the memory of past broken promises is deep. The social contract is not merely under strain. For a large part of the population, it has already failed.

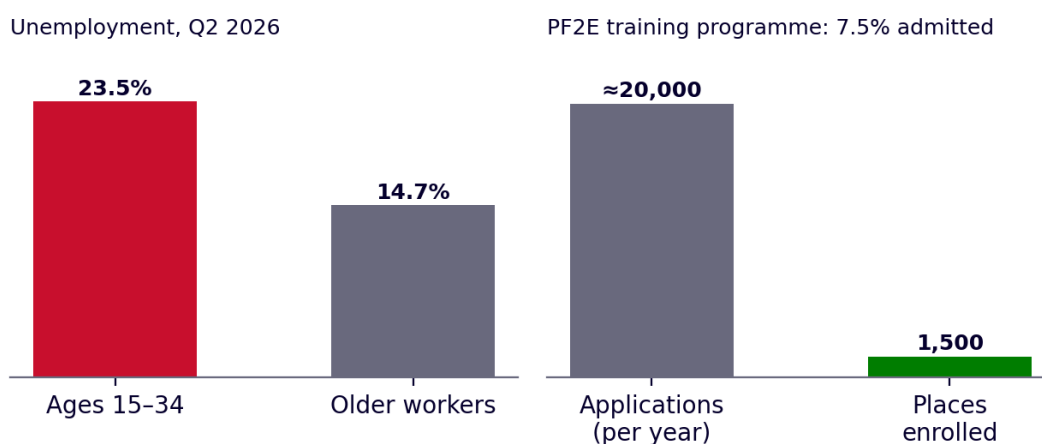


Figure 5 · Youth unemployment and the training bottleneck

3.5 Institutional configuration

The state's relational credibility is at its lowest point in decades. The hidden debt scandal demonstrated that the previous administration had misrepresented the country's fiscal position to its own citizens and to its external partners. The current administration has responded with transparency, but the revelation itself has damaged the trust on which the state's credit depends. The political rupture between Faye and Sonko has paralysed the legislative process at the precise moment when decisive action is required. The budget fight is not a technical disagreement about fiscal parameters; it is a fundamental contest over whether the state will prioritise its commitments to external creditors or to domestic constituencies. The state, as an institution, is caught between these two claims, and it lacks the relational capital to reconcile them.

3.6 The monetary constraint

The CFA franc peg continues to shape the state's options. The regional market has become the principal source of financing, with auction yields approaching 8 per cent on some maturities.^[26] The peg has kept inflation low, but it has also transmitted the European Central Bank's monetary stance to Senegal and limited the state's ability to use exchange-rate policy as an adjustment tool. The debate over monetary sovereignty is real, but the practical constraints are severe. Leaving the CFA franc would require building a national monetary framework, managing the transition without triggering capital flight, and renegotiating trade and financial relationships with regional partners. The monetary arrangement is therefore not a side issue. It is the institutional foundation of the state's subordinate position, and it conditions every other relationship.

PART II · WHAT IS BROKEN

4. Diagnosis

The diagnosis that follows is relational. It examines four coupled relationships: the state and its industrial base, the state and its working class, the state and its dependents, and the state and its creditors. In each case, the pattern is a deterioration in the relationship from one that generated mutual value to one that extracts value from one side for the benefit of the other. The deterioration is measured not in transactions but in the erosion of identity, trust, and commitment.

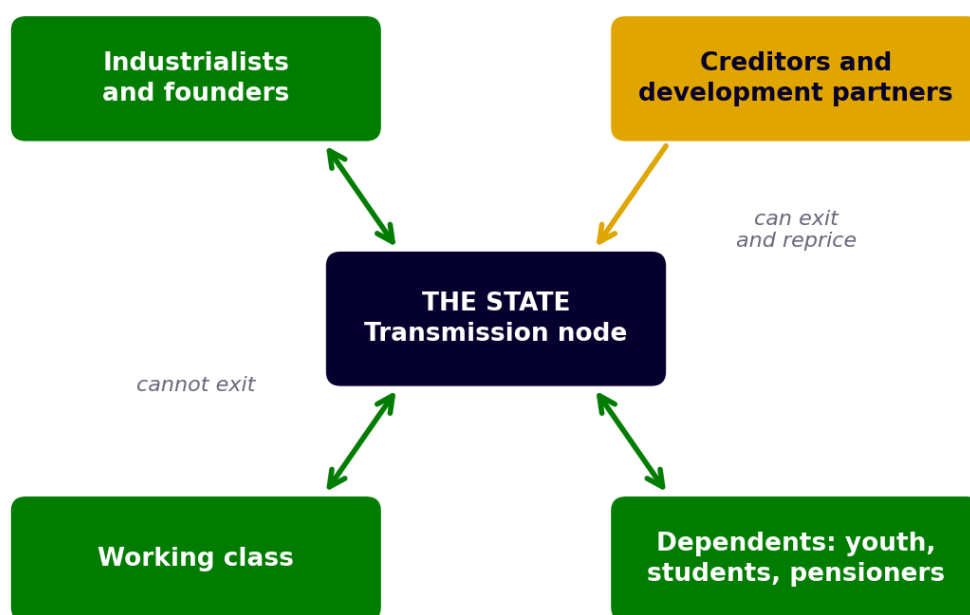


Figure 6 · The state as the node through which extraction flows

4.1 The State and Industrialists/Founders

The relationship between the Senegalese state and its industrial and commercial class was historically one of mutual recognition and reciprocal commitment. The state provided contract enforcement, infrastructure, and a degree of policy predictability. Industrialists invested, employed, and paid taxes. The relationship was not egalitarian, but it was productive. It generated a formal sector that, while small relative to the informal economy, provided the tax base and the organisational capacity on which the state depended.

That relationship has deteriorated. The CNES's warning in June 2026 was not a routine complaint about taxes. It described a situation in which "major companies are on their knees" and SMEs are in an "indescribable situation". The specific grievances are revealing: an outstanding domestic debt that is stifling cash flow, tax and customs measures imposed without consultation, and an unsustainable tax burden on the informal sector. These are not merely fiscal complaints. They are relational complaints. They describe a state that has stopped recognising its industrial base as a partner and has begun to treat it as a source of extraction.

The oil and gas discovery accelerated this deterioration. The state now has access to resource revenues and external financing that reduce its dependence on the domestic tax base. It can project a development agenda—Sénégal 2050, infrastructure programmes, sovereign wealth ambitions—without the slow, reciprocal work of building commitment with domestic producers. The industrial base is recognised rhetorically but not committed to institutionally. The relationship has regressed from one of mutual commitment to one of recognition without reciprocity.

The consequence is a hollowing-out dynamic. When industrialists face an unsustainable tax burden and a state that does not consult them, their rational response is to relocate, to informalise, or to reduce investment. The formal sector shrinks, the tax base narrows, and the state becomes more dependent on the very resource revenues that allowed it to neglect the industrial base in the first place. This is a self-reinforcing cycle of relational decay. The CNES has warned that the private sector generates 90 per cent of jobs and is the primary taxpayer, yet it feels “increasingly excluded from decision-making bodies”.^[16] The state is consuming the productive base that sustains it.

4.2 The State and the Working Class

The relationship between the state and the working class—wage earners, public sector employees, and organised labour—was historically mediated through the social contract. The state provided employment, subsidies, and a degree of social protection. Workers provided political loyalty, civic compliance, and labour discipline. This relationship was never fully inclusive, but it was real. It was the basis of Senegal’s reputation for social peace.

The deterioration of this relationship follows a distinct sequence. In the early 2020s, the state was delivering real value to the working class through fuel subsidies, food price supports, and public employment. This was a generative relationship: the state’s delivery built trust, and trust sustained political stability. The hidden debt and the fiscal crisis changed the calculus. The state could no longer sustain the same level of delivery without external financing. It turned to the IMF, and the conditions attached to that financing required fiscal consolidation.

The austerity package is the mechanism through which the cost of adjustment is transferred to the working class. The 2026 rectificative budget proposes to reduce fuel subsidies from 790 billion CFA francs to 552 billion, a cut of approximately 30 per cent. The budget also cuts investment spending by 555 billion CFA francs. These measures are not imposed by the working class’s own representatives; they are imposed by the creditors, transmitted through the state. The state is not the principal in this relationship. It is the intermediary.

The relational consequence is a collapse of trust. The working class has seen this sequence before: a promise of improvement, followed by fiscal pressure, followed by adjustment, followed by the transfer of costs to those least able to bear them. The memory of past adjustments contaminates the credibility of current promises. The state can no longer use the same rhetorical devices to secure patience because the memory of previous broken commitments discounts the new ones before they are made. The wage bill itself has become a source of tension: at 1,532.8 billion CFA francs in 2026, it is higher than the formal private sector’s payroll, a structural imbalance that the state has been unable to correct without triggering social conflict.

4.3 The State and Dependents (Youth, Students, Pensioners)

The relationship between the state and its dependents—the young, the educated unemployed, students, and pensioners—is the most fragile of the four, and the one where the rupture is most visible. It has been deteriorating since the early 2000s. The 2000 alternance was itself a dependents’ rupture signal: a young, urbanising population rejected the old political order. The Wade administration responded with visible infrastructure but did not restore the intergenerational contract. The 2011 “Y’en a marre” movement was the next signal. The 2012 alternance promised restoration but delivered a continuation of the same pattern: projection without commitment. The 2021 and 2023 riots were the rupture becoming overt.

The oil discovery did not heal this relationship. It widened the gap between what the state projected and what it delivered. The state could now speak of a “Sénégal 2050” in which the youth would inherit a modern, industrialised, sovereign nation. But the fiscal reality was that the state was cutting investment in education, employment programmes, and social protection. The training programmes that exist can accommodate only a fraction of the young people who need them. The intergenerational contract—the promise that education leads to employment, that patience leads to inclusion—is not being honoured.

The relational residue here is generational. Two decades of broken promises have created a memory that is not easily erased. Young Senegalese have seen their parents’ generation wait for inclusion and not receive it. They have seen political alternance produce continuity rather than change. They have seen the state project a future that does not include them. Nearly half of the population has considered emigrating. This is not merely an economic phenomenon; it is a relational one. It is the expression of a generation that has lost faith in the possibility that the state will honour its commitments. The migration statistics are the most reliable indicator of the depth of this rupture: when 48 per cent of a population has considered leaving, the social contract is not merely strained. It is broken.

4.4 The State and Creditors/Development Partners

The relationship between the state and its external creditors—the IMF, the World Bank, bilateral lenders, bondholders, and the broader development community—is fundamentally different from the other three. The creditors are not a domestic constituency. They do not share a social contract with the state. Their relationship to Senegal is transactional. They lend, they monitor, they collect. They do not invest in Senegal’s development in the way that domestic industrialists or workers do. They have no stake in the country’s long-term social fabric.

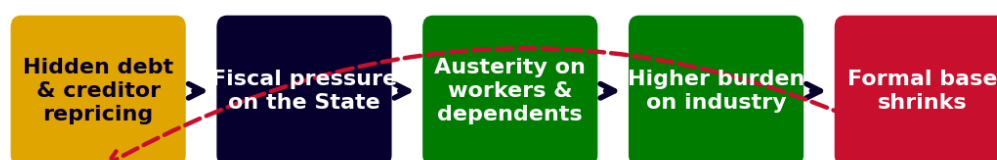
The state has persistently misdiagnosed this relationship. It has treated the creditors as partners, projecting onto them a commitment that they do not have. The austerity package is the proof of this misdiagnosis. When the state’s fiscal position deteriorated, the creditors did not respond by sharing the burden or by extending concessional terms out of solidarity. They repriced the risk. They demanded restructuring. They imposed conditionality that transferred the cost of adjustment to domestic constituencies. This is not a betrayal; it is the creditors acting according to their own institutional logic. Their commitment is to their shareholders, their mandates, and their own stability. It is not to Senegal.

The relational asymmetry is stark. The state is in a coupled relationship with its domestic constituencies: its actions affect them, and their responses affect the state. The creditors are not in a coupled relationship in the same sense. They can exit. They can reprice. They can walk away with their returns intact while the state and its people absorb the consequences. The state’s error was to believe that the creditors shared

its commitment to Senegal's development. The austerity package is the correction of that error. The United States' insistence that the restructuring be completed in less than a year is not an expression of solidarity. It is an expression of the creditors' desire to restore the predictability of their own returns.^[2] The bond prices tell the same story: a bond trading at 48 cents on the euro is a bond that investors do not expect to be repaid in full under its original terms. The creditors are not partners in Senegal's development. They are counterparties in a transaction, and they are managing their exposure accordingly.

4.5 The Cumulative Diagnosis

The four relationships are not independent. They are coupled to one another through the state. The state's relationship with the creditors determines the fiscal pressure it faces, which in turn determines the austerity it imposes on the working class and dependents, which in turn determines the tax burden it places on industrialists, which in turn determines the rate at which the formal economy shrinks. The state is the node through which the extraction flows. It is not the origin of the extraction; it is the transmission mechanism.



Narrower tax base → more reliance on oil revenue and external finance → weaker commitment to domestic base

Figure 7 · The extraction chain and its feedback loop

The cumulative effect is a systemic deterioration. The state is extracting from its domestic constituencies to service its external obligations. It is scaling its projection—its development agenda, its sovereign narrative—while its relational base erodes. The projection is not supported by the commitment that would make it credible. The result is a growing gap between what the state claims to be building and what it can actually sustain.

This is the diagnosis that conventional toolkits miss. They see the fiscal deficit, the debt ratio, the credit rating, the growth rate. They do not see the relational deficit—the erosion of trust, the depletion of commitment, the accumulation of generational memory that forecloses future cooperation. The relational deficit is the leading indicator. The fiscal crisis is the lagging one. By the time the fiscal crisis is visible in the conventional data, the relational crisis is already advanced.

PART II • WHAT IS BROKEN

5. Why Conventional Toolkits Miss It

The conventional toolkit of economic and political analysis is not neutral. It is calibrated to a particular set of concerns—the concerns of creditors, investors, and international institutions—and it systematically overlooks the relational dimensions that determine long-term viability. This is not a matter of bias in the ordinary sense. It is a matter of measurement architecture. The tools are built to see certain things and not others, and the things they do not see are precisely the things that matter most in Senegal’s current conjuncture.

The toolkit...	What it does	What it misses
Measures	Transactions and structures: GDP, debt ratios, ratings, governance scores	Relationships: trust, commitment, the credibility of promises
Assumes	Symmetry between borrower and creditor	A State that cannot exit versus a creditor that can
Optimizes	The scale of the projection: plans, targets, programs	Whether the relational base can carry it
Treats trust and memory as	Soft variables: “social capital”, “sentiment”	First-class dimensions with decay rates and half-lives
Describes	States: recession, distress, instability	The dynamic driving the transition between states
Is built inside	The creditor’s framework and mandate	The standard of the people the State serves

They measure transactions and structures, not relationships. GDP, inflation, debt-to-GDP ratios, fiscal balances, credit ratings, and governance indicators are measures of transactions and structures. They tell you how much money is moving, how much debt is outstanding, how institutions are scored on standardised scales. They do not tell you whether the relationship between the state and its people is healthy or decaying. They do not measure trust, commitment, or the credibility of promises. The hidden debt scandal, for example, was visible in the fiscal data only after the audit. The relational damage—the loss of trust in the state’s honesty—was not measurable by the conventional toolkit until it manifested in political rupture and market repricing.

They assume symmetry in relationships that are asymmetric. Conventional models treat the relationship between a sovereign borrower and its creditors as a contract between two rational actors with symmetric interests. Both are assumed to be maximising their returns, and the relationship is assumed to be governed by enforceable rules. This assumption obscures the fundamental asymmetry between a state that cannot exit its obligations to its people and a creditor that can exit its exposure to the state. The state’s relationship with its domestic constituencies is characterised by what economists call “asset specificity”: the state cannot relocate, cannot diversify away from its population, and cannot abandon its social contract without ceasing to be a state. The creditor faces no such constraint. The conventional

toolkit cannot represent this asymmetry because it has no concept of a relationship in which one party bears the residual risk and the other does not.

They optimise for projection without checking whether the relational base can support it. The entire development apparatus—structural adjustment programmes, poverty reduction strategy papers, SDG financing frameworks, national development plans—is designed to scale projection. Build more infrastructure, expand more programmes, achieve more targets. The conventional toolkit measures success by the scale of the projection, not by the strength of the relational base that sustains it. It does not ask whether the state has the commitment of its industrial base, the trust of its working class, or the patience of its dependents to support the projection over time. When the projection is built on a decaying relational base, the toolkit records it as progress until the moment it collapses.

They treat trust and memory as soft variables. In conventional economics, trust is “social capital,” a residual category that is acknowledged but not measured. Memory is “expectations” or “sentiment,” a parameter to be estimated rather than a structural variable with its own dynamics. Trust has a measurable decay rate, and memory has a half-life that determines how quickly past experiences are discounted or amplified. The conventional toolkit cannot see the generational residue of broken promises because it has no coordinate for it. It can measure that youth unemployment is high. It cannot measure that the memory of two decades of broken promises has contaminated every new promise. That is why it keeps recommending the same remedies—more investment, more reform, more communication—and is surprised when they fail.

They are blind to the operator. Conventional analysis describes states—recession, debt distress, currency crisis, political instability—but it cannot identify the active dynamic that is driving the transition from one state to another. Is the state extracting value from its domestic base to service external creditors? Is it investing in the relational capital that would make future projection sustainable? Is it at a point of rupture where the only remaining options are a managed reset or a chaotic collapse? The conventional toolkit has no vocabulary for these distinctions. It prescribes based on the symptom, not the underlying dynamic. It treats an extractive relationship as a “fiscal consolidation problem” and prescribes more extraction. It treats a reset as “populism” and prescribes against it.

They are built inside the creditor’s framework. The dominant tools—the IMF’s debt sustainability analysis, the rating agencies’ sovereign risk models, the World Bank’s governance indicators—are constructed by institutions whose own mandates and interests shape what they measure. The IMF’s mandate is macro-financial stability, and its models are built to assess a country’s ability to repay its debts. They are not built to assess a country’s ability to honour its social contract. The rating agencies measure default probability, not social cohesion. The World Bank’s indicators measure governance quality as defined by its shareholders, not the legitimacy of the state in the eyes of its own people. These are not neutral instruments. They are projections of a particular relational perspective—the creditor’s perspective—onto the country being analysed. When the state uses them, it is importing the creditor’s framework into its own diagnosis. It is measuring itself by the standards of the counterparty rather than the standards of its own people.

The consequence is a systematic blind spot. The conventional toolkit sees the fiscal crisis but not the relational crisis that produced it. It sees the need for austerity but not the cost of austerity in terms of trust and commitment. It sees political instability but not the underlying collapse of the social contract. It recommends solutions that address the symptoms while accelerating the disease.

PART III · WHAT COULD HAPPEN

6. Scenarios and Implications

The following scenarios are not predictions. They are structured explorations of the trajectories that are available to Senegal given its current relational configuration. Each scenario is defined by a different configuration of the four coupled relationships described in the diagnosis. The scenarios are mutually exclusive in their pure forms, but elements of different scenarios may coexist in practice.

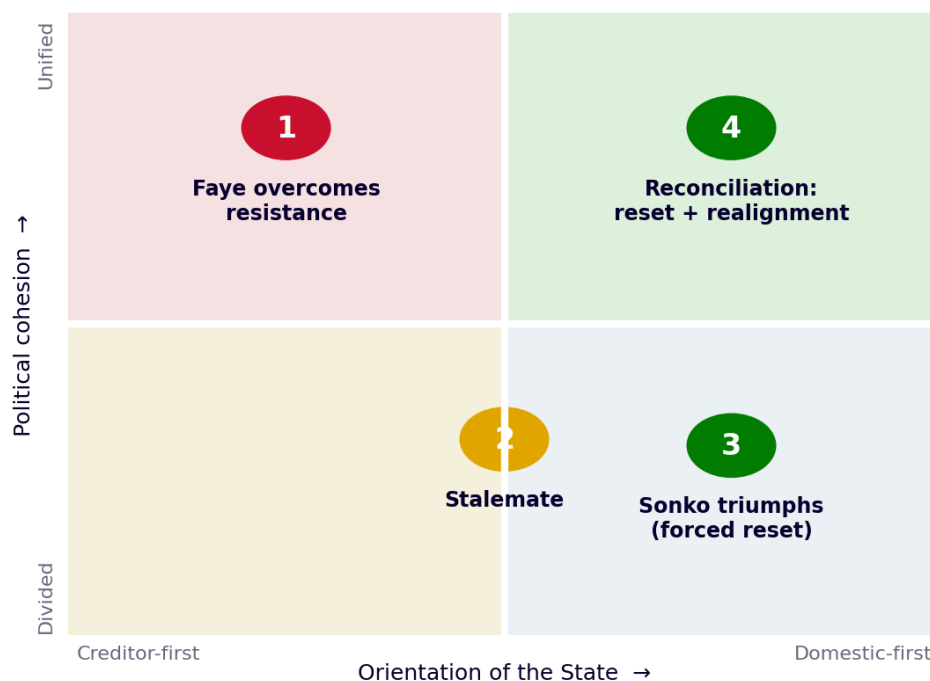


Figure 8 · The four scenarios mapped by orientation of the state and political cohesion

Scenario 1: The Executive Overrides Resistance (Accelerated Extraction)

Configuration. President Faye secures sufficient political support—through defections from Pastef, through the formation of a new parliamentary majority after November 2026, or through a dissolution of the National Assembly and new elections—to pass the austerity budget and implement the IMF programme without significant domestic opposition.

Dynamics. The state imposes the fiscal consolidation required by the creditors. Fuel subsidies are cut, investment spending is reduced, and taxes are raised or broadened. The industrial base, already under severe strain, faces an unsustainable burden. Industrialists respond rationally: they relocate capital, informalise operations, or reduce investment. The formal sector shrinks. The working class absorbs higher prices, reduced public employment, and lower real wages. The dependents see the investment in education, training, and social protection cut precisely when they need it most.

Fiscal arithmetic. The 2026 budget already projects a deficit of 7.6 per cent of GDP, with debt service at 5,498 billion CFA francs and interest payments absorbing 23.7 per cent of revenues. The IMF programme provides \$2.2 billion, but this is small relative to the financing requirement, which Moody's estimates at about 25 per cent of GDP.^[29] The state is therefore dependent on the regional market, where yields are

approaching 8 per cent, and on the successful completion of the debt restructuring. If the restructuring is delayed or the terms are unfavourable, the fiscal position deteriorates further, forcing additional cuts.

Relational consequences. The relationship between the state and its domestic constituencies deteriorates further. The industrial base, which was already at the point of rupture, begins to hollow out. The working class, which had retained a residual belief that the state would protect it, loses that belief. The dependents, whose memory of broken promises was already deep, see the pattern confirmed once again. The state's relational capital is depleted to the point where it can no longer secure voluntary cooperation from any of its domestic constituencies.

Economic consequences. In the short term, the fiscal deficit narrows and the IMF programme remains on track. But the tax base shrinks as the formal sector contracts, and the state becomes more dependent on hydrocarbon revenues and external financing. The informal economy expands, but it is outside the tax net. The state's fiscal position, which was supposed to improve, becomes more fragile because the productive base that generates tax revenue is being eroded. Foreign direct investment, already at \$37 million in 2025, remains depressed. The growth trajectory is downward, not upward.

Political consequences. The state becomes increasingly authoritarian in its approach to domestic dissent. The space for political opposition narrows as the executive seeks to impose its programme. The legitimacy of the state, already damaged by the hidden debt scandal, is further eroded. The risk of a chaotic rupture—a default triggered not by choice but by the exhaustion of the tax base and the collapse of social cohesion—increases.

Assessment. This scenario is the one that the conventional toolkit would recommend. It is the path of fiscal responsibility, creditor confidence, and programme compliance. But it is also the path of relational collapse. It treats the symptoms of the crisis while accelerating the underlying disease. It is the most likely scenario if the state continues to prioritise its relationship with creditors over its relationships with domestic constituencies. The fiscal arithmetic is not sustainable because the relational base that generates revenue is being consumed to service debt.

Scenario 2: Continuous Stalemate (Inertia)

Configuration. Neither Faye nor Sonko is able to overcome the other. The executive and the legislative majority remain in rival hands. The budget is not passed in its current form, but a compromise is reached that avoids the most severe austerity measures while also avoiding the structural reforms that would restore the state's relational base. The IMF programme is delayed or partially implemented. The creditors maintain pressure but do not force a rupture.

Dynamics. The state continues to operate on the “old code.” Industrialists, who have learned to navigate uncertainty, maintain their businesses but do not invest in expansion. The working class continues to absorb a gradual erosion of purchasing power. The dependents continue to wait for the promised future, but their patience is finite. The economy continues to run, but at a lower level of dynamism than its potential. Tax revenues do not collapse, but they do not grow enough to address the fiscal imbalance.

Fiscal arithmetic. The deficit remains high, the debt service burden remains crushing, and the state continues to rely on the regional market at high yields. The IMF programme is frozen or partially disbursed, and the restructuring is delayed. The state avoids the immediate shock of Scenario 1 but does not escape the underlying fiscal constraint. The cost of delay is borne in higher interest rates and lower growth.

Relational consequences. The stalemate is not a restoration of the relational base. It is a postponement of its further deterioration. The industrial base remains in a state of precarious survival. The working class remains in a state of managed discontent. The dependents remain in a state of suspended expectation. The memory of broken promises continues to accumulate, but it does not yet trigger an overt rupture. The state's relational capital is neither rebuilt nor fully depleted; it is held in a fragile equilibrium.

Economic consequences. Growth remains low, investment is weak, and the fiscal position remains precarious. The IMF programme, if it is eventually implemented, provides a temporary lifeline, but it does not address the structural weaknesses of the economy. The hydrocarbon sector continues to generate revenue, but the non-oil economy stagnates. The informal sector continues to absorb the surplus labour that the formal sector cannot employ. Remittances remain the most reliable source of external financing, but they are used largely for consumption rather than investment.

Political consequences. The political stalemate becomes entrenched. The 2027 local elections and the 2029 presidential election become referendums on the stalemate itself. The risk of a sudden rupture—a triggering event that forces the system out of its equilibrium—remains high. The stalemate does not resolve the crisis; it merely defers it.

Assessment. This scenario is often described as “muddling through,” and it has the apparent advantage of avoiding the worst outcomes of the other scenarios. But it is not a stable equilibrium. It is a state of borrowed time. The relational base continues to erode, and the memory of broken promises continues to accumulate. Eventually, a trigger—a global price shock, a creditor deadline, a political crisis—will force the system out of inertia. The question is whether the exit will be managed or chaotic.

Scenario 3: The Sovereign Reset (Forced Rupture with Creditors)

Configuration. Sonko secures effective control over the policy direction of the state, either through a political agreement that gives Pastef control of the government, through a successful censure motion, or through a new election that gives Pastef a renewed mandate. Faye remains president but becomes a figurehead, or a transition arrangement is negotiated.

Dynamics. The state pivots from serving the creditors to serving its domestic constituencies. It rejects the terms of the IMF programme, or renegotiates them on terms that are more favourable to domestic priorities. It restores fuel subsidies, increases investment in education and employment programmes, and offers a more favourable tax regime to industrialists. It signals a break with the external framework that has governed Senegal's fiscal policy.

Fiscal arithmetic. The immediate effect is a loss of external financing. The IMF programme is suspended, the bond restructuring is abandoned or renegotiated on less favourable terms, and the state loses access to international capital markets. The fiscal deficit widens as subsidies are restored and revenues fall. The state must finance the deficit through the regional market, where yields are already high, or through central bank accommodation, which is constrained by the CFA franc peg. The short-term pain is severe. But the state gains the relational capital that comes from honouring its commitments to its own people.

Relational consequences. The state's relationship with its domestic constituencies is restored. The industrial base, which had been on the verge of hollowing out, is given a reason to stay and invest. The working class sees the state honouring its commitments. The dependents see a government that is

prioritising their future. The memory of past broken promises is not erased, but it is partially offset by a visible change in direction. The state's relational capital begins to rebuild.

Economic consequences. In the short term, the consequences are severe. The creditors reprice Senegal's debt, and the country loses access to international capital markets. FDI declines further. The currency, pegged to the euro through the CFA franc arrangement, comes under pressure if reserves fall. The fiscal deficit widens as subsidies are restored and revenues fall. The economy enters a period of acute stress. But the industrial base remains intact, and the informal sector begins to formalise as the state offers a more stable and predictable policy environment. The tax base expands over time, and the economy begins to grow on a more sustainable foundation.

Political consequences. The state must manage the expectations of its domestic constituencies while absorbing the shock of external repricing. The risk of a political backlash is high if the short-term pain is not accompanied by visible progress toward the promised long-term benefits. The state must also manage its relationship with the military, the bureaucracy, and the informal networks that have historically mediated political power.

Assessment. This scenario is the one that the conventional toolkit would describe as “populist” and “irresponsible.” But from a relational perspective, it is the only scenario that addresses the underlying disease. The short-term pain is real, but it is the cost of restoring the state's commitment to its own people. If the state can manage the transition, it emerges with a stronger relational base and a more sustainable long-term trajectory. If it cannot, the result is a chaotic rupture. The outcome depends on the quality of governance during the transition.

Scenario 4: Reconciliation and Realignment (Coordinated Reset)

Configuration. Faye and Sonko reconcile, uniting the executive and the legislative majority behind a common programme. The programme combines a domestic reset—restoring the state's commitment to industrialists, workers, and dependents—with an external realignment—diversifying Senegal's partnerships away from exclusive dependence on Western creditors and toward a broader set of international partners, including Turkey, China, the Gulf states, and Russia.

Dynamics. The state executes the domestic reset with a unified governance structure. It restores subsidies, protects investment in education and employment, and offers a stable and favourable tax regime to industrialists. Simultaneously, it pursues an external realignment. It negotiates with alternative creditors and development partners, reducing its dependence on the IMF and Western bondholders. It diversifies its sources of financing and its diplomatic relationships. This is not a rupture with the West; it is a diversification away from exclusive dependence. Senegal has already begun to move in this direction, strengthening partnerships with China, Turkey, the Gulf states, and Latin America, while maintaining relationships with Europe and the United States.^[22] Turkish and Chinese firms are displacing French companies in major infrastructure projects, and Gulf investors are discussing long-term concessions in logistics.^[23] A \$3.5 billion agreement between the African Refining Company and the Turkish group Yamata for the modernisation of the Mbao refinery illustrates the scale of the alternative partnerships that are available.^[24]

Fiscal arithmetic. The short-term pain is less severe than in Scenario 3 because the state has access to alternative sources of external financing. The fiscal deficit widens initially, but it is financed through a

diversified set of creditors rather than a single lender. The industrial base remains intact, and the informal sector begins to formalise as the state offers a more stable and predictable policy environment. The tax base expands over time. The debt restructuring can proceed on terms that are more favourable because the state has credible alternatives and is not entirely dependent on a single creditor bloc.

Relational consequences. The domestic reset restores the state's relational capital with its industrial base, working class, and dependents. The external realignment reduces the state's vulnerability to a single creditor bloc. The combination allows the state to absorb the shock of external repricing more effectively than in Scenario 3, because it has alternative sources of financing and trade. The memory of past broken promises is addressed through a visible, sustained change in direction.

Economic consequences. The economy enters a period of managed transition rather than acute crisis. The industrial base remains intact, investment begins to recover, and the informal sector gradually formalises. The hydrocarbon sector continues to generate revenue, and the state uses it to finance the restoration of the social contract rather than to service external debt. The growth trajectory is lower in the short term but more sustainable in the long term.

Political consequences. The reconciliation between Faye and Sonko removes the political gridlock that has paralysed the state. The unified government can act decisively. The risk of a backlash from the creditors remains, but it is mitigated by the external realignment. The state's legitimacy is restored through visible delivery rather than rhetorical projection.

Assessment. This is the optimal scenario from a relational perspective. It addresses the underlying disease while minimising the cost of transition. It requires political leadership of a high order—the ability to reconcile rival factions, to manage a complex external realignment, and to maintain domestic cohesion during a period of stress. It is the scenario that restores structural integrity with the least cost. But it is also the most demanding in terms of governance capacity.

Summary of Scenarios

Scenario	Primary dynamic	Relational outcome	Economic outcome	Political outcome
1. Executive Overrides	Accelerated extraction	Hollowing out of industrial base; collapse of trust	Short-term fiscal improvement; long-term erosion of tax base	Authoritarian drift; risk of chaotic rupture
2. Stalemate	Inertia	Postponement of further deterioration	Low growth; precarious fiscal position	Entrenched gridlock; deferred crisis
3. Sovereign Reset	Forced rupture with creditors	Restoration of domestic commitment	Severe short-term shock; long-term rebuilding	High risk; depends on governance capacity
4. Reconciliation	Coordinated reset and realignment	Restoration with minimised cost	Managed transition; diversified financing	Unified government; restored legitimacy

PART IV · WHAT TO DO

7. Recommended Action for Stakeholders

The recommendations that follow are derived from the relational diagnosis. They are addressed to each stakeholder group and are calibrated to the specific relational position of that group. They are not generic prescriptions. They are specific to the dynamics of the Senegalese conjuncture.

For the Government of Senegal

The government faces a fundamental choice. It can continue to prioritise its relationship with external creditors, transmitting the cost of adjustment to domestic constituencies, or it can prioritise its relationship with its own people, absorbing short-term external pain to restore long-term relational capital. The diagnosis suggests that the second path is the only one that is structurally sustainable, but it also acknowledges that the transition is painful and politically risky.

Immediate actions

The government should:

- Acknowledge publicly that the fiscal crisis is a symptom of a deeper relational crisis, and that the restoration of trust with domestic constituencies is the first priority.
- Open a structured dialogue with industrialists, labour unions, and youth representatives, not as a consultation exercise but as a genuine negotiation over the terms of the social contract. The CNES has explicitly requested the institutionalisation of direct dialogue between the state and employers. This request should be granted.
- Protect investment in education, employment programmes, and social protection, even if this requires reallocating resources from other areas of the budget. The 2026 budget already includes a doubling of social protection spending to 140 billion CFA francs, but this is insufficient relative to the scale of the need.
- Pursue a diversified external financing strategy, reducing dependence on a single creditor bloc and building relationships with alternative partners. The groundwork for this diversification is already being laid, but it needs to be elevated to a coherent national strategy.

Medium-term actions

The government should:

- Implement a tax reform that broadens the base and reduces the burden on the formal sector, while bringing the informal sector into the tax net gradually and fairly. The informal economy represents 40 to 50 per cent of GDP, and its formalisation is the single largest source of additional revenue.
- Invest in the industrialisation of the hydrocarbon sector, using resource revenues to build forward linkages in petrochemicals, fertilisers, and manufacturing. The Turkish refinery agreement is a step in this direction, but it needs to be embedded in a broader industrial policy.
- Develop a national strategy for youth employment that goes beyond training programmes and addresses the structural barriers to job creation in the formal sector. The PF2E programme's

placement rate of 61 per cent is encouraging, but its capacity of 1,500 participants per year is woefully inadequate against 20,000 applications.

For Industrialists, Founders, and Executives

The industrial base is the productive core of the formal economy. Its survival is essential to any sustainable recovery. But industrialists must recognise that their relationship with the state is not purely transactional. They are not merely taxpayers; they are partners in the national project.

Immediate actions

Industrialists should:

- Organise collectively to negotiate with the state on tax policy, regulatory reform, and the settlement of domestic arrears. The CNES has already begun this process, but it needs to be sustained and broadened.
- Avoid relocating capital or informalising operations in response to short-term fiscal pressure, recognising that the long-term viability of the formal sector depends on the survival of the state's relational base.
- Invest in the skills of their workforce and in the productivity of their operations, even in a difficult environment.

Medium-term actions

Industrialists should:

- Collaborate with the state on the development of industrial policy, particularly in the hydrocarbon value chain and in agriculture.
- Support efforts to formalise the informal sector, recognising that a broader tax base is in their long-term interest.
- Engage with the political process, not to capture it but to ensure that the voice of the productive sector is heard in the formulation of policy.

For the Working Class and Labour Unions

The working class is the constituency that has borne the brunt of the adjustment. Its patience is finite, and its trust in the state is fragile.

Immediate actions

Labour unions should:

- Resist austerity measures that transfer the cost of adjustment to workers without corresponding sacrifices from other stakeholders.
- Engage in structured negotiations with the government and employers over wages, working conditions, and social protection.
- Build alliances with other civil society organisations, including youth movements and community groups, to present a united front in defence of the social contract.

Medium-term actions

Labour unions should:

- Participate in the design of industrial policy and employment programmes, ensuring that the jobs created are decent jobs with rights and protections.
- Support efforts to formalise the informal sector, while advocating for a just transition that protects the livelihoods of those who depend on informal work.

For Dependents (Youth, Students, Pensioners)

The dependents are the largest constituency and the one with the deepest memory of broken promises. Their patience is not infinite, and their willingness to cooperate with the state depends on whether they see a credible path to inclusion.

Immediate actions

Youth organisations should:

- Articulate a clear set of demands for the restoration of the intergenerational contract: investment in education, guaranteed employment programmes, and a transparent path to formal sector jobs.
- Engage in peaceful political action to hold the state accountable to its promises, while avoiding the kind of disruption that can be used to justify authoritarian responses.
- Build alternative institutions—cooperatives, mutual aid networks, community organisations—that can provide support in the absence of state provision.

Medium-term actions

Youth organisations should:

- Participate in the design of youth employment programmes, ensuring that they are tailored to the actual needs of the labour market.
- Hold political parties accountable for their commitments to young people, and support candidates who are genuinely committed to restoring the intergenerational contract.

For Creditors and Development Partners

The creditors are not a domestic constituency, and their relationship with Senegal is transactional. But they have an interest in the long-term stability of the country, and they should recognise that a purely extractive relationship is not in their own long-term interest.

Immediate actions

Creditors should:

- Provide debt relief on terms that are sufficient to allow Senegal to restore its domestic social contract, rather than imposing austerity that erodes the relational base on which long-term repayment depends.
- Coordinate with each other to avoid a disorderly restructuring that would impose unnecessary costs on the Senegalese people.
- Support the government's efforts to diversify its external partnerships, recognising that a more diversified Senegal is a more stable Senegal.

Medium-term actions

Creditors should:

- Invest in the productive capacity of the Senegalese economy, not just in its fiscal stabilisation. This means supporting industrial policy, agricultural modernisation, and skills development.
- Engage with domestic stakeholders—industrialists, labour unions, youth organisations—to understand the relational dynamics that determine the sustainability of any adjustment programme.

For the Press and the People of Senegal

The press has a critical role to play in a relational crisis. It can either amplify the polarisation that is driving the rupture, or it can create the space for a genuine national conversation about the social contract.

Immediate actions

The press should:

- Report on the relational dimensions of the crisis, not just the fiscal and political dimensions. This means covering the experiences of industrialists, workers, and young people, not just the statements of political leaders.
- Hold all parties accountable to their commitments, including the government, the opposition, and the creditors.
- Provide a platform for constructive dialogue between different stakeholders, rather than amplifying the voices of polarisation.

For the people of Senegal, the most important action is to recognise that the crisis is not merely a contest between two political leaders. It is a contest over the terms of the social contract. The people have a stake in that contest, and they should exercise their voice—through elections, through civil society, through collective action—to ensure that the state restores its commitment to them.

PART IV · WHAT TO DO

Conclusion



Senegal's pirogue: a vessel carried by collective effort

Senegal's crisis is not a fiscal crisis that happens to have political consequences. It is a relational crisis that manifests as a fiscal crisis. The state has gradually withdrawn from its commitments to its industrial base, its working class, and its dependents, while projecting a development agenda that its relational base can no longer support. The oil and gas discovery accelerated this dynamic by providing the state with an alternative source of revenue that reduced its dependence on domestic constituencies. The hidden debt revealed the extent to which the state had been misrepresenting its position to its own people and to its creditors. The political rupture between Faye and Sonko is the institutional expression of this deeper crisis.

The conventional toolkit cannot diagnose this crisis because it is built to measure transactions and structures, not relationships. It sees the debt but not the broken social contract. It sees the budget deficit but not the depletion of generational trust. It sees political instability but not the collapse of the commitment that once made the state's projection credible. A relational diagnosis begins with relationships. It measures identity, trust, and commitment as first-class dimensions, and it identifies the dynamics that are driving the transition from one state to another. It reveals that the state is engaged in a systemic extraction of its domestic base to service its external obligations, and that this extraction is unsustainable.

Four scenarios follow from this diagnosis. The first is an accelerated extraction that hollows out the industrial base, exhausts the patience of the working class and dependents, and ends in a chaotic rupture. The second is a continuous stalemate that preserves an illusion of stability while the relational base continues to erode. The third is a forced reset that breaks with external creditors and restores the state's commitment to its own people, at the cost of short-term financial pain. The fourth is a coordinated reset and external realignment that reconciles the political leadership, restores the domestic social contract, and diversifies Senegal's international partnerships to minimise the cost of transition.

The choice among these scenarios is not a technical choice. It is a political and moral choice about what the state is for. If the state is primarily a transmission mechanism for external creditors, then Scenario 1 is the logical outcome. If the state is primarily a guarantor of the social contract with its own people, then Scenario 3 or 4 is the necessary path. The diagnosis suggests that the second understanding is the only one that is structurally sustainable, but it also acknowledges that the transition is painful and politically risky.

The people of Senegal have already indicated their preference. They voted for Pastef in 2024 because they wanted a government that would restore the social contract. They have watched with growing impatience as the political leadership has fractured and the fiscal crisis has deepened. Their patience is

not infinite. The memory of broken promises is deep. The state has a narrow window in which to choose a path that restores its relational base before the choice is made for it by the logic of collapse.

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