



**THEME:
UNRAVELING AFRICA'S SOVEREIGN DEBT
CRISIS; PATHS TO SUSTAINABILITY**

PRESENTED BY CHIDIMMA F. EJKEME

PROJECT OVERVIEW

Africa's sovereign debt crisis is not merely a financial accounting issue; it is a structural crisis of governance and resource allocation that threatens to derail the continent's development goals.

The analysis of the global fiscal dataset reveals a critical trend: emerging economies like Nigeria, Egypt and South Africa, are facing widening fiscal deficits driven by expenditure outpacing revenue growth. By leveraging historical data, I identified key drivers of instability, detected fiscal anomalies corresponding to economic shocks, and forecasted a continued deepening of deficits for Nigeria through 2027 unless structural reforms are implemented.

DATA METHODOLOGY

To ensure high-quality insights, we implemented a rigorous data pipeline:

- **Data Cleaning:** I scrutinized 23,784 records. We handled mixed data types in the Amount column (removing commas, parsing numbers) and converted Time to datetime objects.
- **Unit Standardization:** A major challenge was the heterogeneity of units (Billions, Millions). I standardized all financial metrics to **Millions of Local Currency** to ensure mathematical consistency within each country.
- **Currency Handling:** Recognizing that Currency varies by country (EGP, NGN, ZAR), I avoided invalid cross-country summations. Instead, we focused on **within-country trends** and **normalized ratios** (e.g., Deficit as % of GDP).
- **Aggregation:** I aggregated high-frequency (Monthly) flow variables like "Budget Deficit" and "Revenue" into **Yearly** totals to align with annual economic indicators like GDP.

TOOLS

PYTHON:

Pandas for Data Cleaning

Numpy for Numerical Calculation

Matplotlib and **Seaborn** for Visualization

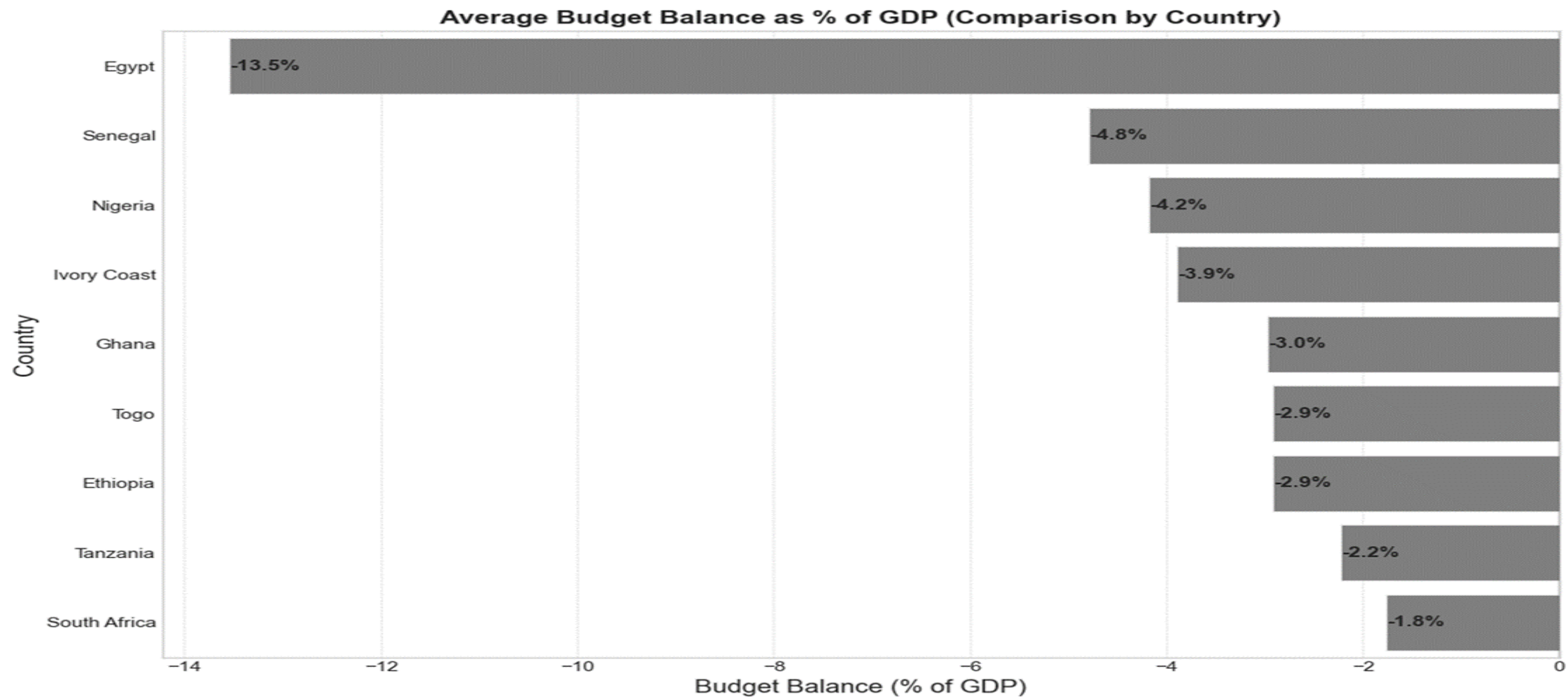
Scikit-Learn for Prediction

VISUALIZATION ANALYSIS AND TRENDS

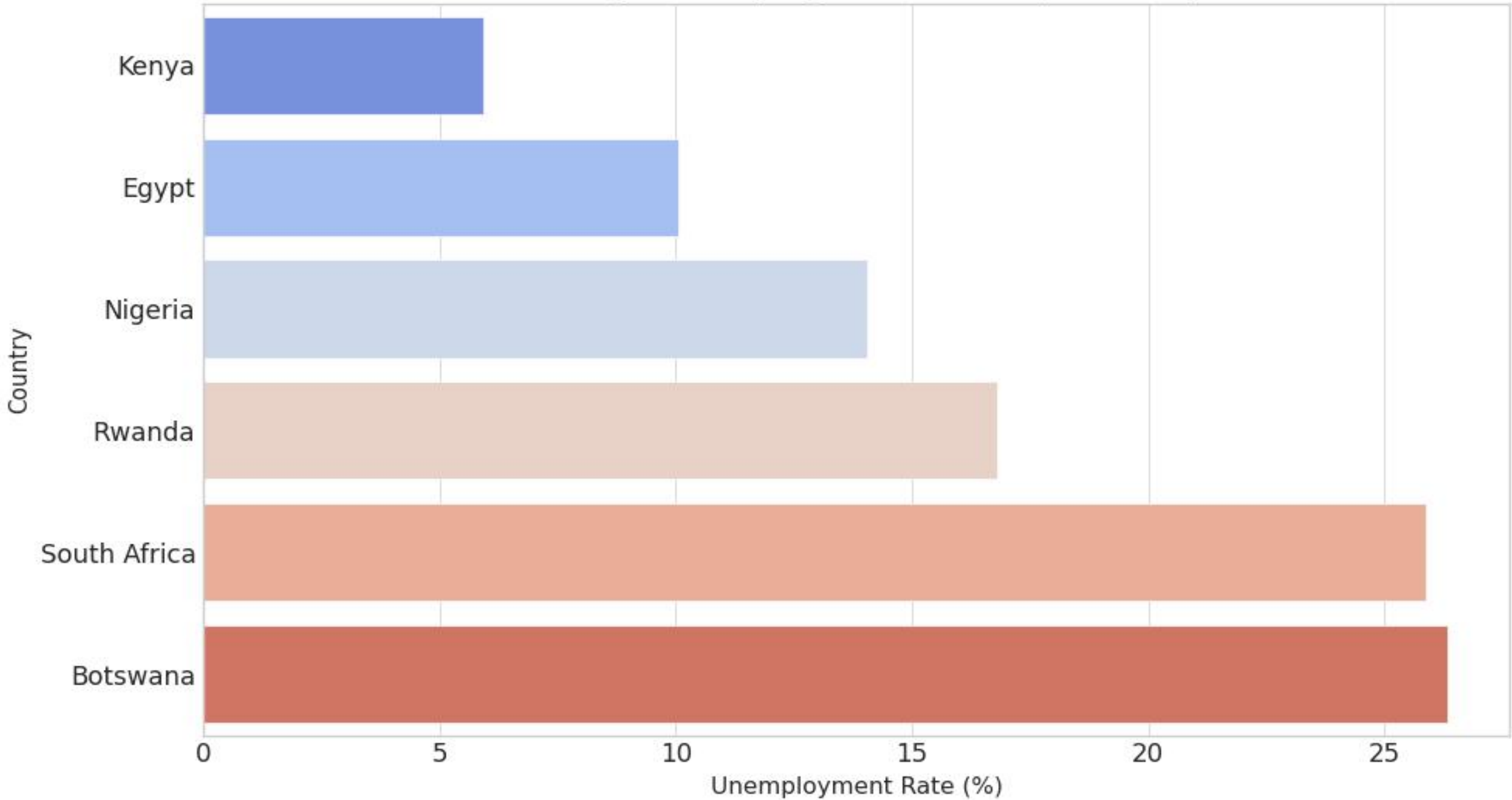


Historical Fiscal Performance

I analysed the Budget Deficit trends for key African economies. The data shows a persistent struggle with fiscal balance.



Average Unemployment Rate by Country

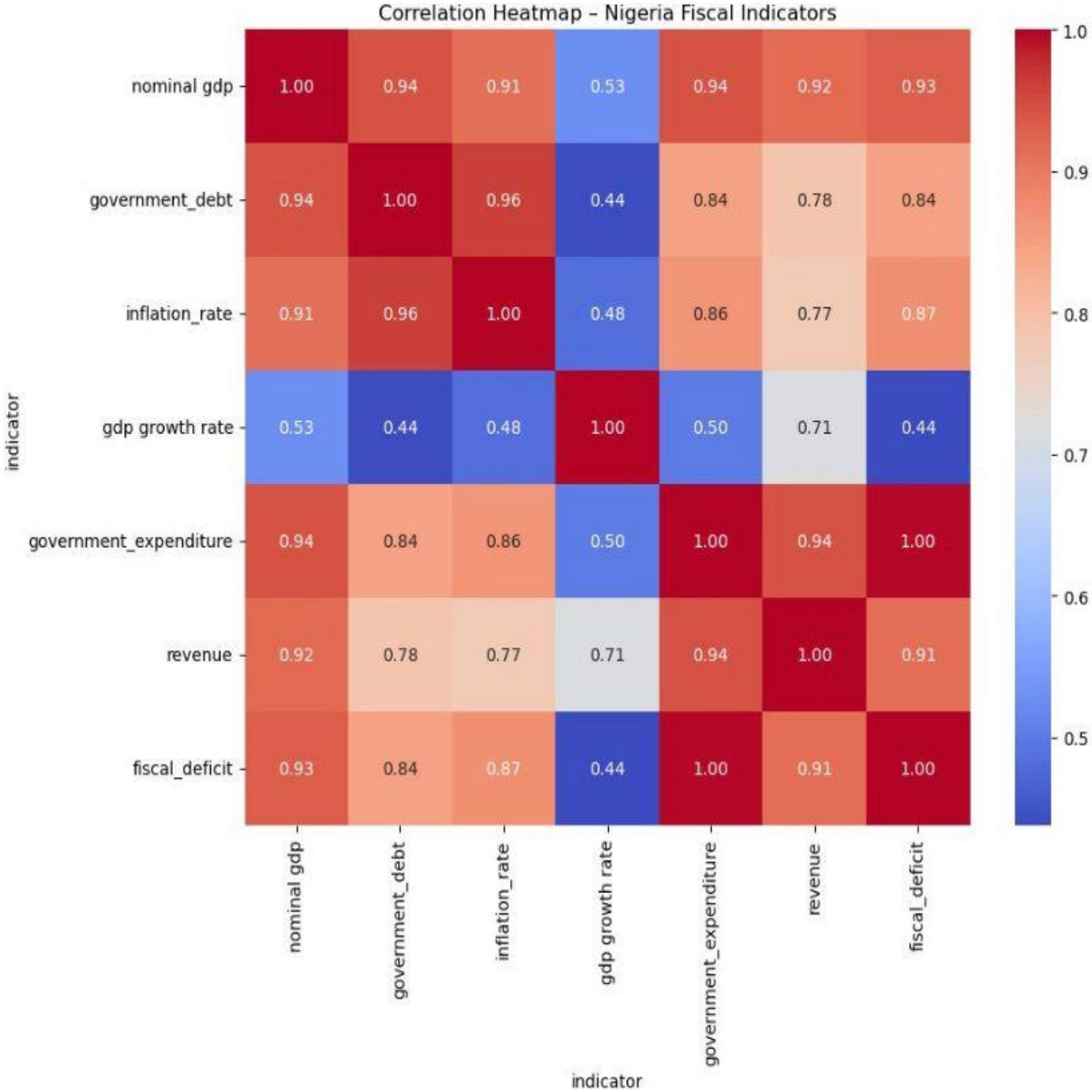




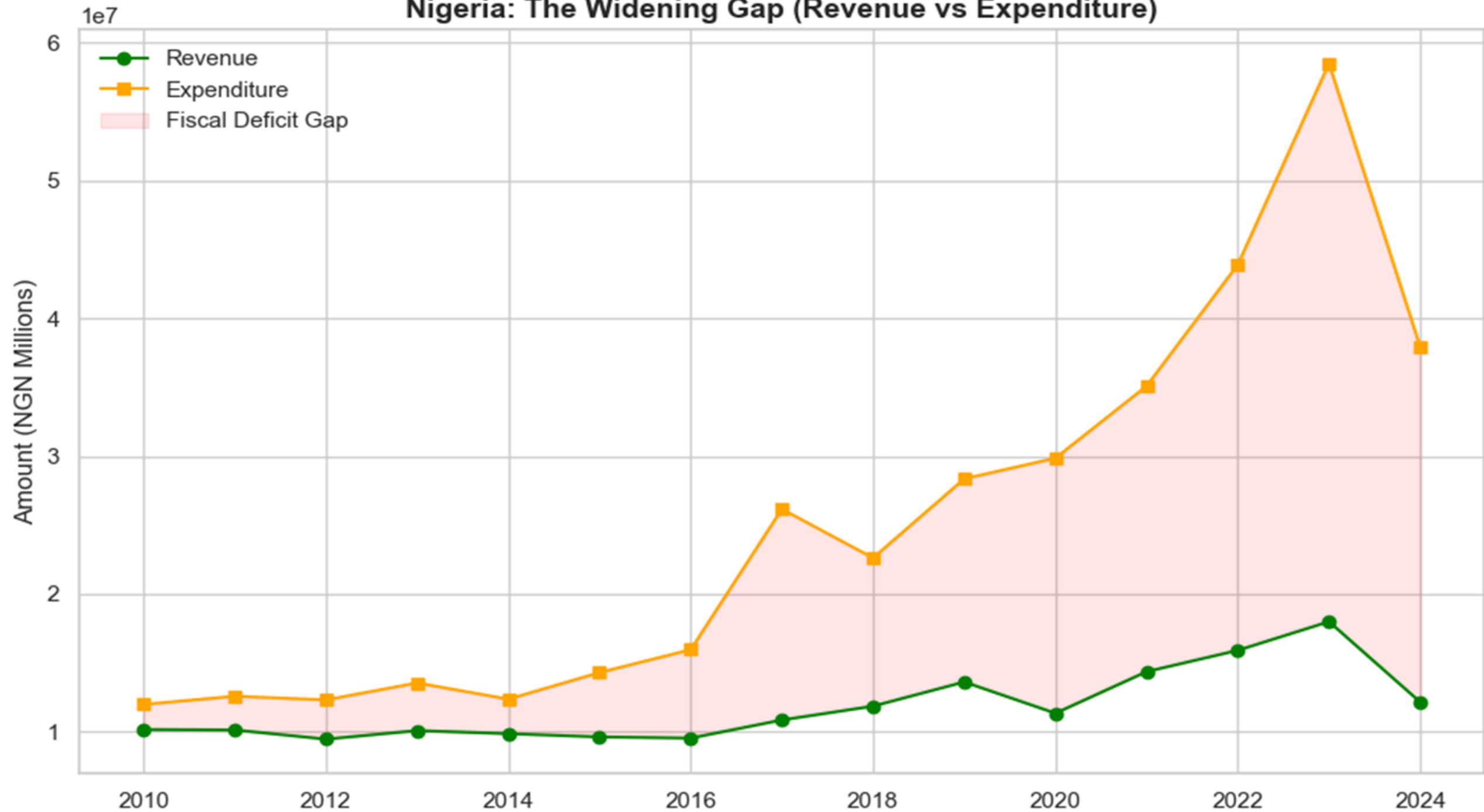
USING NIGERIA AS A CASE STUDY

Nigeria is currently navigating a severe structural fiscal crisis characterized by a "Revenue-Expenditure Divergence" that threatens long-term economic stability. Our analysis of 15 years of fiscal data reveals that the country's deepening budget deficit is not a temporary cyclical downturn but a systemic failure of resource mobilization and expenditure efficiency.

CORRELATION HEATMAP OF FISCAL INDICATORS (NIGERIA)



Nigeria: The Widening Gap (Revenue vs Expenditure)



The Core Problem:

The "Jaws of Deficit" Visual analysis of historical trends identifies a widening gap termed the "Jaws of Deficit" where government expenditure has grown exponentially while revenue generation remains largely linear.

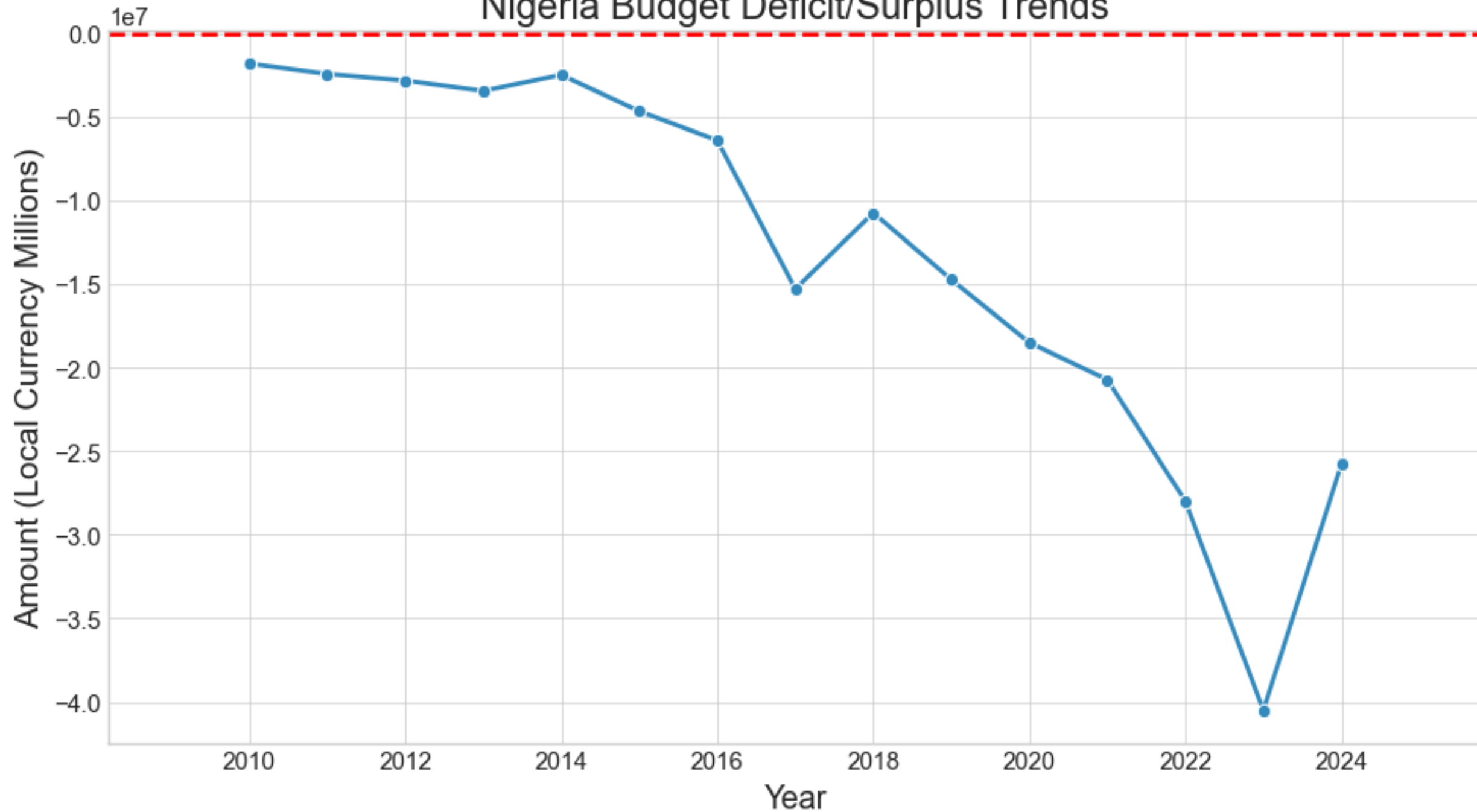
Evidence:

Since 2010, the fiscal balance has remained consistently negative, with the deficit expanding annually regardless of oil price fluctuations.

Implication:

The government has effectively lost control of its "Burn Rate," with spending disconnected from its earning capacity.

Nigeria Budget Deficit/Surplus Trends



HOW THESE AFFECT THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Human Cost:

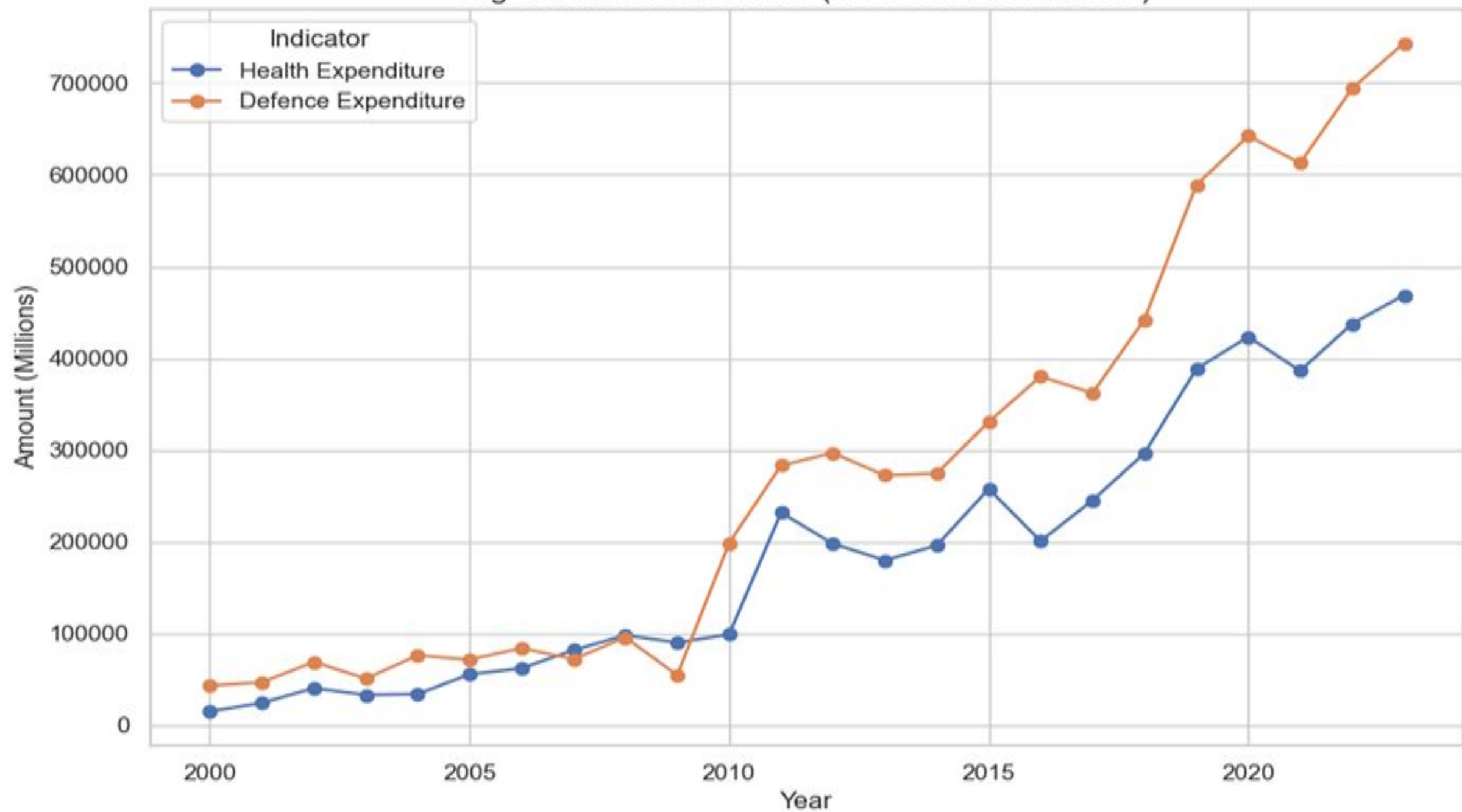
Crowding Out Development The fiscal stress has forced a reprioritization of public funds that undermines human capital development.

Crowding Out: "State Security" spending has overtaken "Human Security." Recent data shows Defence expenditure (approx. 743bn NGN) significantly outstripping Health expenditure (approx. 468bn NGN), directly threatening SDG 3 (Good Health and Well-being).

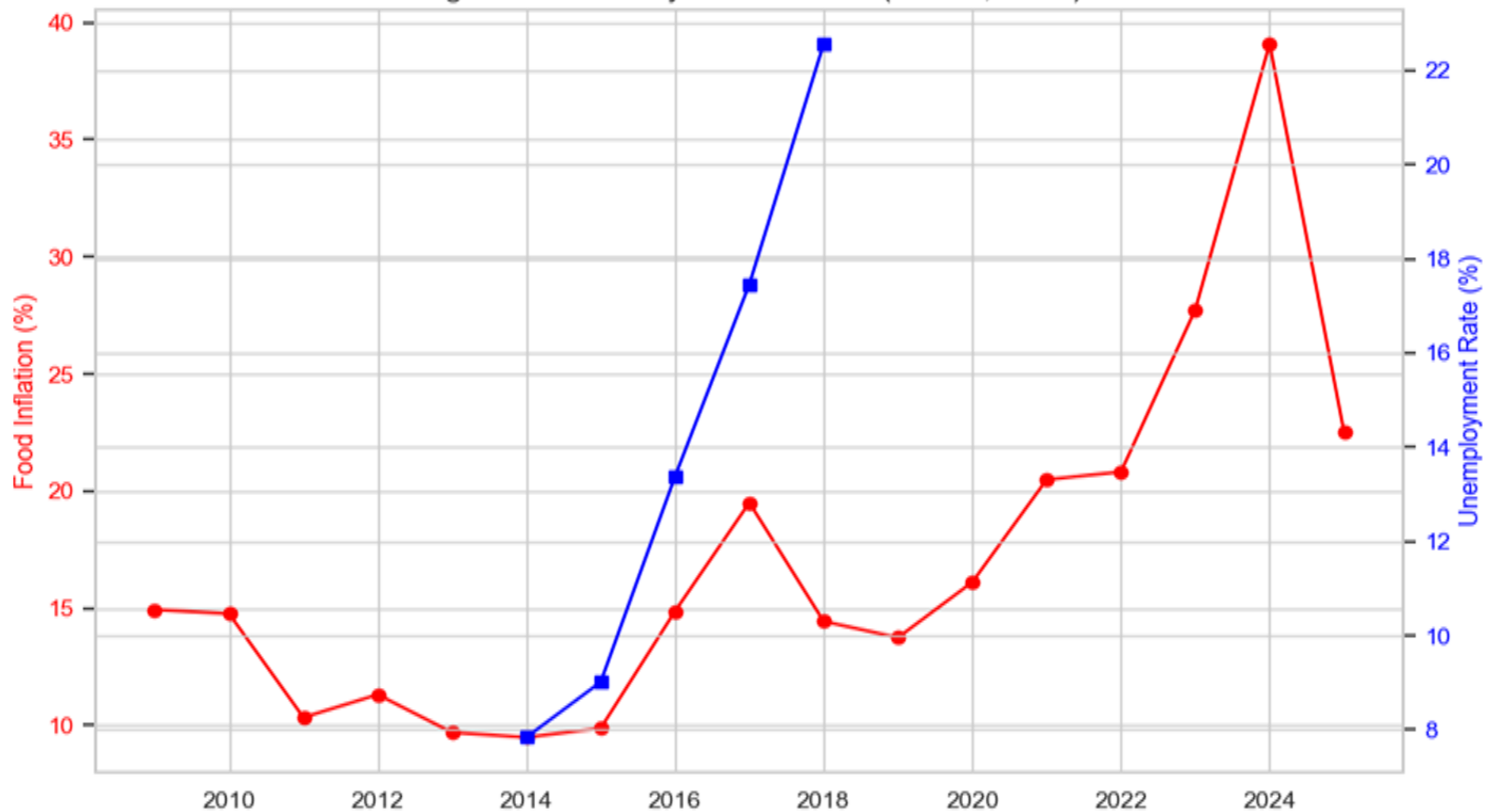
When Spending surpasses Earning there would be inflation and also high rate of unemployment.

This can be seen in the visualization below.

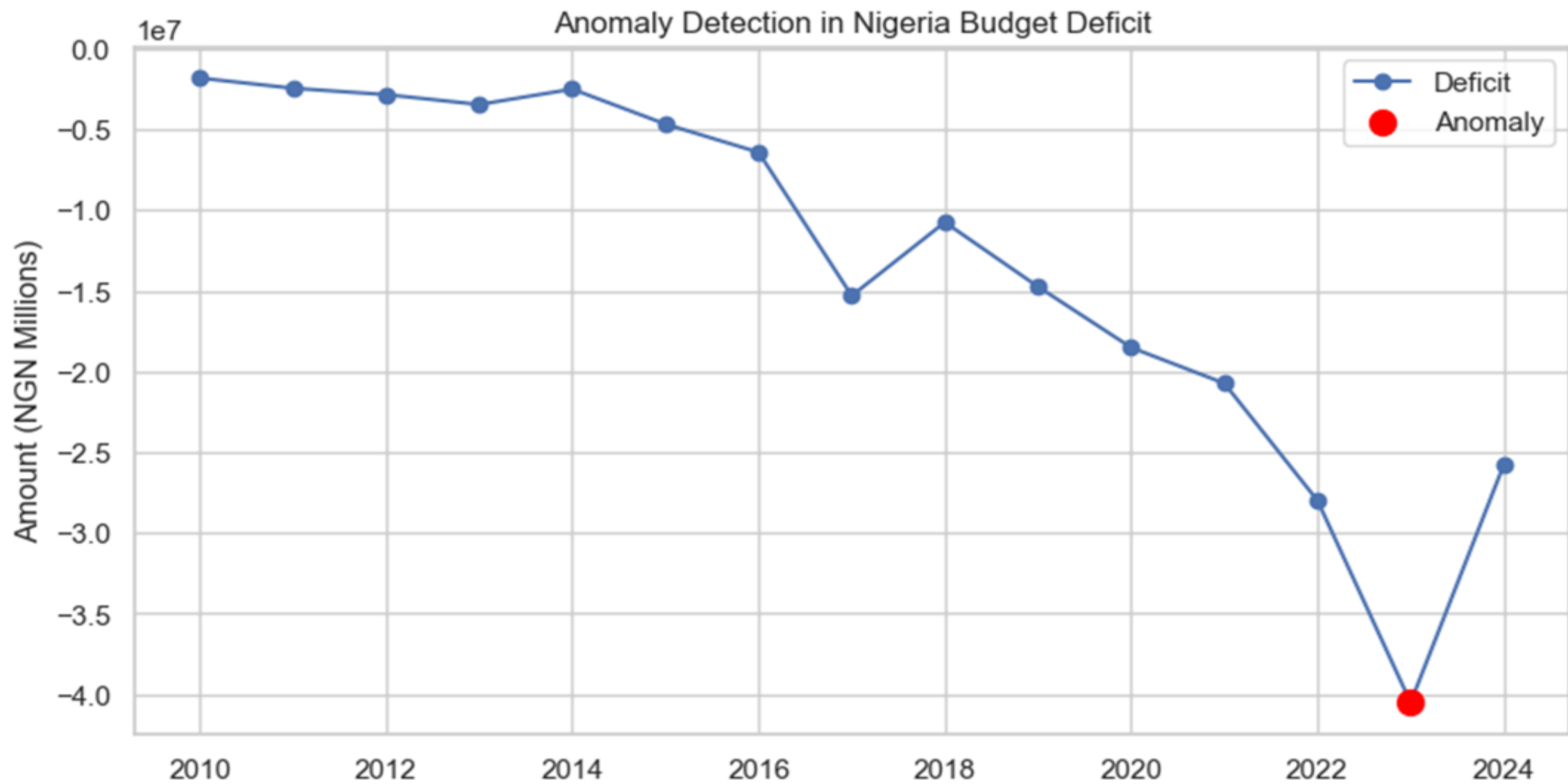
Nigeria: Allocation Trends (SDG 3 & 4 vs Defence)



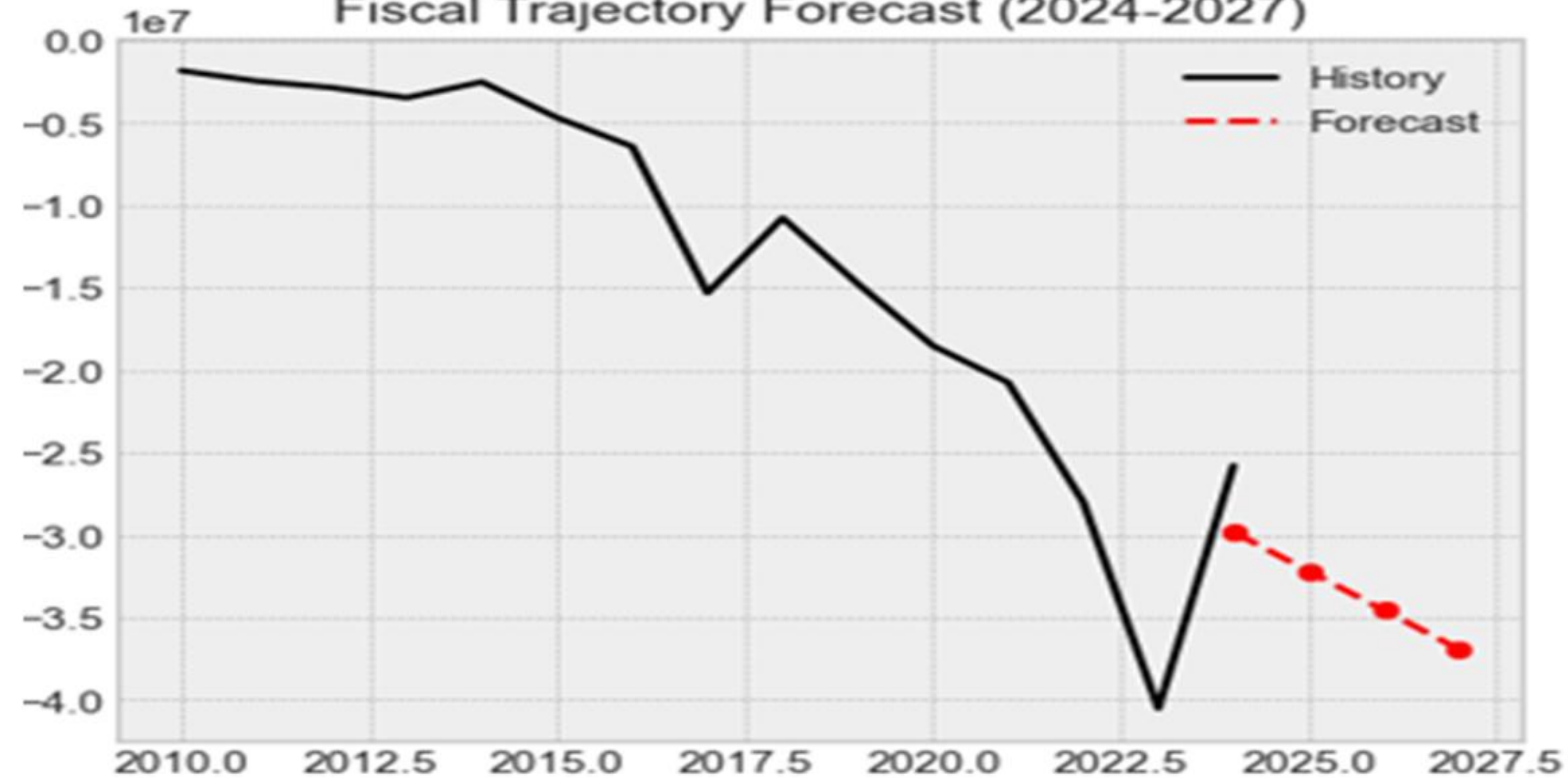
Nigeria: The Misery Index Drivers (SDG 1, 2 & 8)



PREDICTIONS AND RECOMMENDED SOLUTIONS



Fiscal Trajectory Forecast (2024-2027)



Predictive Modeling (Future Outlook)

We developed a Linear Trend Forecast to predict Nigeria's fiscal trajectory for the next 3 years.

Forecast Results (Nigeria):

- 2025 Prediction: Deficit of ~32.1 Trillion NGN
- 2026 Prediction: Deficit of ~34.5 Trillion NGN
- 2027 Prediction: Deficit of ~36.9 Trillion NGN

Model Interpretation: The model predicts a continued widening of the deficit by approximately 2.4 Trillion NGN annually if current trends (Business as Usual) continue without policy intervention.

Policy Simulation: Can We Close the Gap by 2030?

Projected Budget Deficit/Surplus (Millions NGN)

1e7

0

-1

-2

-3

-4

2025

2026

2027

2028

2029

2030

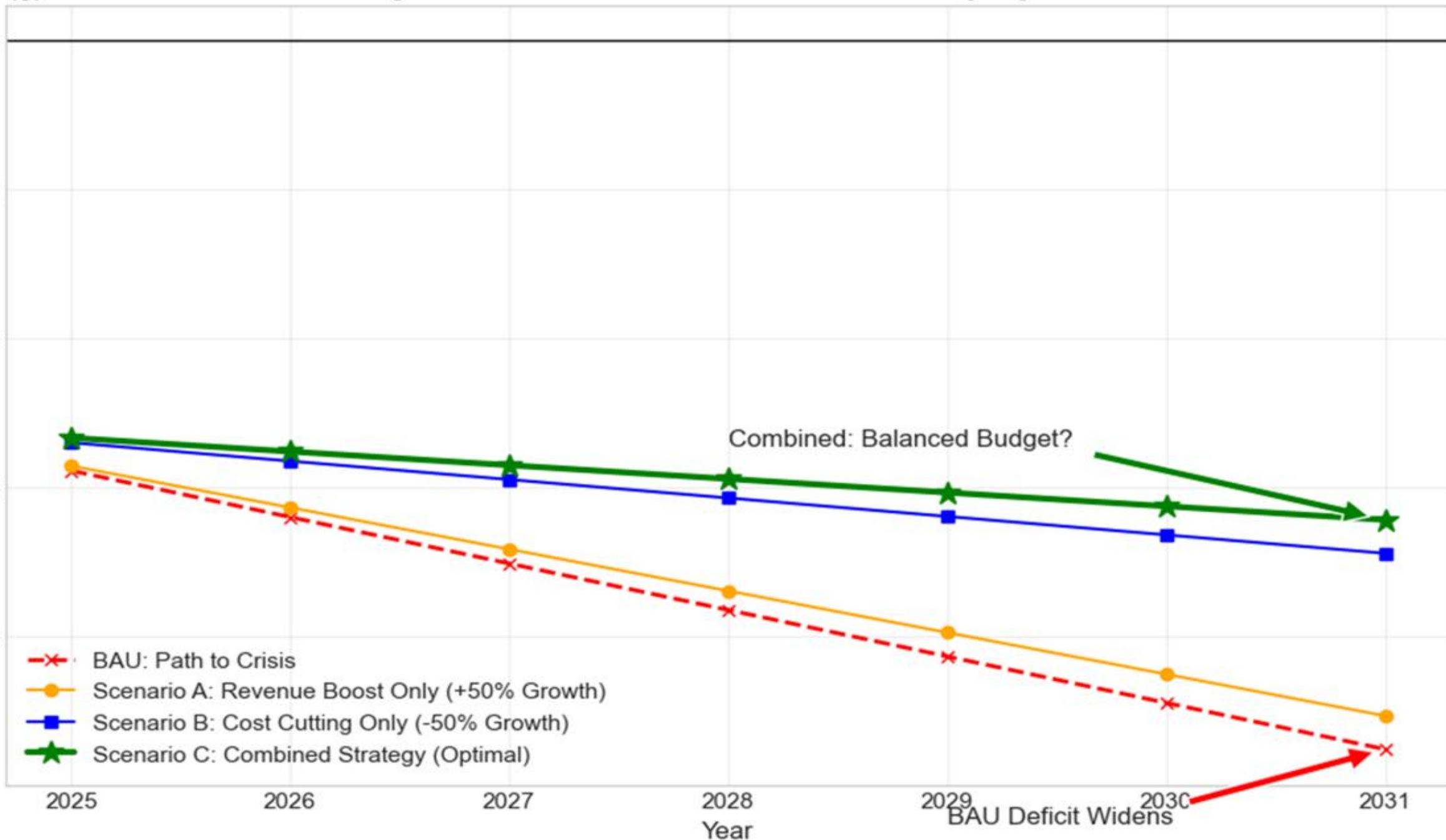
2031

Year

- BAU: Path to Crisis
- Scenario A: Revenue Boost Only (+50% Growth)
- Scenario B: Cost Cutting Only (-50% Growth)
- Scenario C: Combined Strategy (Optimal)

Combined: Balanced Budget?

BAU Deficit Widens



Based on our data-driven findings, I propose the following for policymakers:

1. Revenue Diversification:

The correlation analysis shows Revenue lags behind Expenditure. Governments must reduce reliance on volatile commodity exports (like oil in Nigeria) and widen the tax base to decouple fiscal health from external shocks.

2. Expenditure Efficiency:

The link between Expenditure and Deficit suggests a lack of counter-cyclical saving. We recommend implementing "Fiscal Rules" that cap expenditure growth based on long-term revenue averages, not short-term booms.

3. Inflation Targeting:

Given the link between Inflation and Deficit, monetary policy must work in tandem with fiscal policy. Controlling inflation is a prerequisite for stabilizing the real value of tax revenues.

4. Digital Monitoring:

The "Anomalies" detected suggest shocks hit fast. Implementing real-time dashboarding of monthly fiscal flows (as found in this dataset) can act as an Early Warning System.

