Africa's Evolving Responses to the Conflict in the Middle East

Taking stock of the impact on the ground

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Amplifying Africa’s Voices

The Amplifying Africa's Voices (AAV) initiative, convened by the Finance for Development Lab (FDL) and the African Center for Economic Transformation (ACET), brings together African policy institutes to share real-time, ground-level intelligence on economic developments and to translate that intelligence into policy advocacy. On 28 April 2026, the AAV network convened its 20th dialogue to assess Africa's exposure to the conflict in the Middle East, bringing together contributions from ten institutes across eight countries. The proceedings of the dialogue were published by ACET and FDL in May 2026 (ACET, 2026; FDL, 2026).

On 7 July 2026, ACET and the FDL convened a follow-up briefing to further assess war actions and impacts in the ten weeks since April: which of the risks identified had materialized, which policy responses (fuel levy cuts, VAT reductions, emergency packages, price caps) had been sustained, allowed to expire, or extended, and what new pressures or opportunities had emerged.

The policy brief is based on updates received on July 7 from Botswana, Kenya, Libya, Nigeria, Sierra Leone, South Africa, Tanzania, and Tunisia. The AAV dialogue in April provided the baseline for this brief, with the 7 July follow-up serving as the primary account of developments. Data from the dialogues were cross-checked against official and verified public sources where possible; those that could not be verified are attributed to the dialogue.

Foreword

This policy brief reflects the situation as discussed on 7 July 2026, a moment that appeared to signal de-escalation. That impression proved short-live. Since July 8, 2026, the fragile US–Iran ceasefire has unraveled into open conflict. The United States conducted an intensive bombing campaign that lasted nearly two weeks, while reimposing a naval blockade on Iranian ports from July 14. In response, Iran suspended its commitments under the earlier ceasefire agreement. The conflict has also spread beyond the two principal parties. Bahrain, Kuwait, and Jordan intercepted some Iranian attacks, while Iran-backed Houthi forces struck Saudi Aramco facilities after Saudi Arabia launched attacks against the group, opening a new front in the Red Sea. The economic consequences were immediate. The effective closure of the Strait of Hormuz drove oil prices above $100 per barrel. The pattern of recurring flare-ups underscores that this is an evolving situation. Hence, the analysis and recommendations that follow are anchored in the situation as it stood on 7 July. Given how quickly events have unfolded since then, they should be read with the understanding that conditions remain highly fluid.

Summary of Recommendations

The policy brief makes six recommendations for African economies facing external shocks:

1. Adopt scenario-based monetary policy. Central banks should separate imported price shocks from domestic inflation and avoid unnecessary rate hikes, while preparing contingency plans for adverse scenarios like sustained oil price above $100 or Hormuz disruption.
2. Adress price asymmetry. Ensure falling international fuel and import costs reach consumers as fast as increases do, through transparent pricing formulas, margin reviews, and engagement with transport operators.
3. Build regional capacity in critical inputs. Invest in domestic and regional production of strategic goods (refined fuel, fertilizers, edible oils), and support storage, transport, and logistics infrastructure to cut dependence on external suppliers.
4. Ring-fence windfall revenue. Commodity price gaining countries should channel conflict-related windfalls into stabilization or sovereign savings funds rather than recurrent spending.
5. Accelerate Africa's financial stability architecture. Fast-track the African Financing Stability Mechanism (AFSM) and the broader New African Financial Architecture for Development (NAFAD) framework to provide affordable liquidity and concessional financing during shocks.
6. Build resilience through economic transformation. Prioritize long-term diversification and competitive exports over reliance on natural resources.

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1. The Global Context

The macroeconomic environment changed significantly between the two dialogues. Brent crude oil prices rose from about US$72.5 per barrel at the end of February 2026 to around US$118 per barrel by the end of March, marking the largest monthly increase on record. By early July, prices had fallen back to near pre conflict levels before renewed hostilities between the United States and Iran pushed Brent above US$79 per barrel on 8 and 9 July (World Bank, 2026a; Bloomberg, 2026). The World Bank's April Commodity Markets Outlook projected that energy prices would increase by 24 percent and fertilizer prices by 31 percent over the course of 2026, driven largely by an expected 60 percent rise in urea prices. These projections reflected the closure of the Strait of Hormuz, which reduced global oil supply by about 10 million barrels per day, creating the largest oil supply shock on record (World Bank, 2026b). By June, however, market conditions had begun to stabilize. The World Bank's July update reported that the energy price index had fallen by 17.7 percent month on month, with Brent crude declining by 20.6 percent and fertilizer prices by 21.8 percent (World Bank, 2026c). However, this is evolving owing to the renewed escalation of the conflict after the dialogue on July 7.

The maritime chokepoints that shape Africa's exposure to global trade remain vulnerable. According to the International Energy Agency, nearly 34 percent of global seaborne crude oil trade passed through the strait in 2025 (IEA, 2026). Following the ceasefire, most vessels resumed transiting the Strait of Hormuz, although some continued to reroute around the Cape of Good Hope. Renewed hostilities in early July, however, disrupted traffic again. Intelligence data indicated that no vessel above 10,000 deadweight tons was transiting the southern corridor of the strait with its automatic identification system active (Al Jazeera, 2026). Meanwhile, the Suez Canal, which typically handles about 12 to 15 percent of global trade and roughly 30 percent of container traffic, continued to experience partial diversions. As a result, many vessels remained on the Cape route, adding an estimated 10 to 14 days to each voyage (Atlantic Council, 2026).

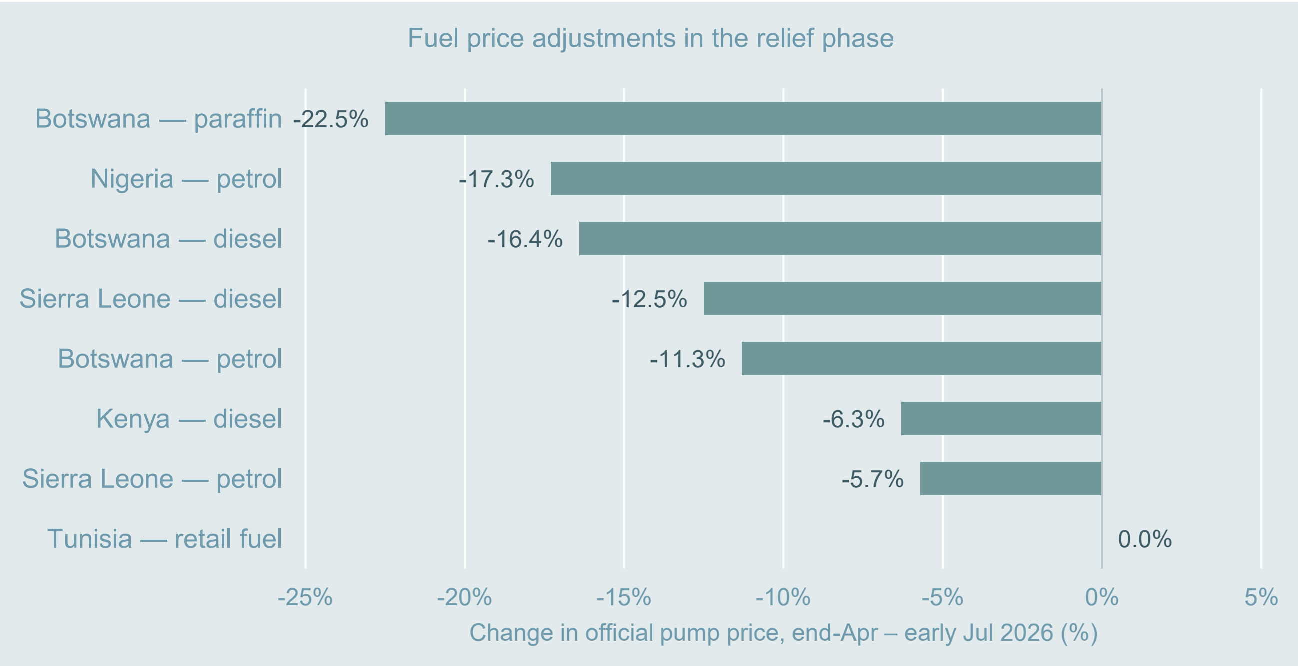
The fertilizer market deserves particular attention because its effects unfold gradually. Urea prices jumped 53.7 percent in March 2026 to a four-year high as the strait, which handles close to one-third of global seaborne fertilizer trade was disrupted (Ecofin Agency, 2026a). While energy prices have since eased, fertilizer price increases typically take much longer to feed through to food prices, with effects often emerging over the course of a year. As a result, the food security impacts of the second quarter price spike are likely to extend into the 2026/27 agricultural season, even if the ceasefire holds (World Bank, 2026b). According to the AfDB, East Africa is particularly vulnerable, sourcing more than 75% of its refined petroleum and at least 30% of its fertilizer imports from the Gulf (TanzaniaInvest, 2026).

2. From Shock to Adjustment: Key Findings

2.1. Global Prices Are Falling, but Consumers Are Yet to Feel the Relief

The July dialogue highlighted a consistent pattern across countries: declines in global fuel prices were only partially reflected in domestic markets. Botswana recorded the largest reductions, with the 6 July price adjustment lowering paraffin prices by 22.5 percent, diesel by 16.4 percent, and petrol by 11.3 percent. In Nigeria, petrol prices fell by about 17 percent between late April and July, largely following successive price cuts by the Dangote Refinery rather than government intervention. However, the decline lagged well behind the drop in international crude prices, prompting the Nigerian government to summon the refinery and fuel marketers in early July to explain the slow pass-through, which dialogue participants attributed to firms protecting their margins. Sierra Leone experienced a similar disconnect: despite official fuel price reductions of 5.7 percent for petrol and 12.5 percent for diesel on 29 June, public transport fares had not fallen by the time of the dialogue, triggering pressure from civil society and negotiations with transport operators. Kenya showed the same pattern, with bus fares remaining unchanged despite a 6.3 percent reduction in diesel prices between May and June. Tunisia stood apart, as administered fuel prices were never increased, insulating consumers from the need for subsequent price adjustments. As Figure 1 shows, relief has largely reached fuel pumps but has yet to be fully transmitted to consumers. Earlier fuel price increases continue to feed through the economy as businesses adjust prices gradually, inflation expectations remain elevated, and higher production costs persist.

Figure 1: Fuel price adjustments in the relief phase, late June to early July 2026

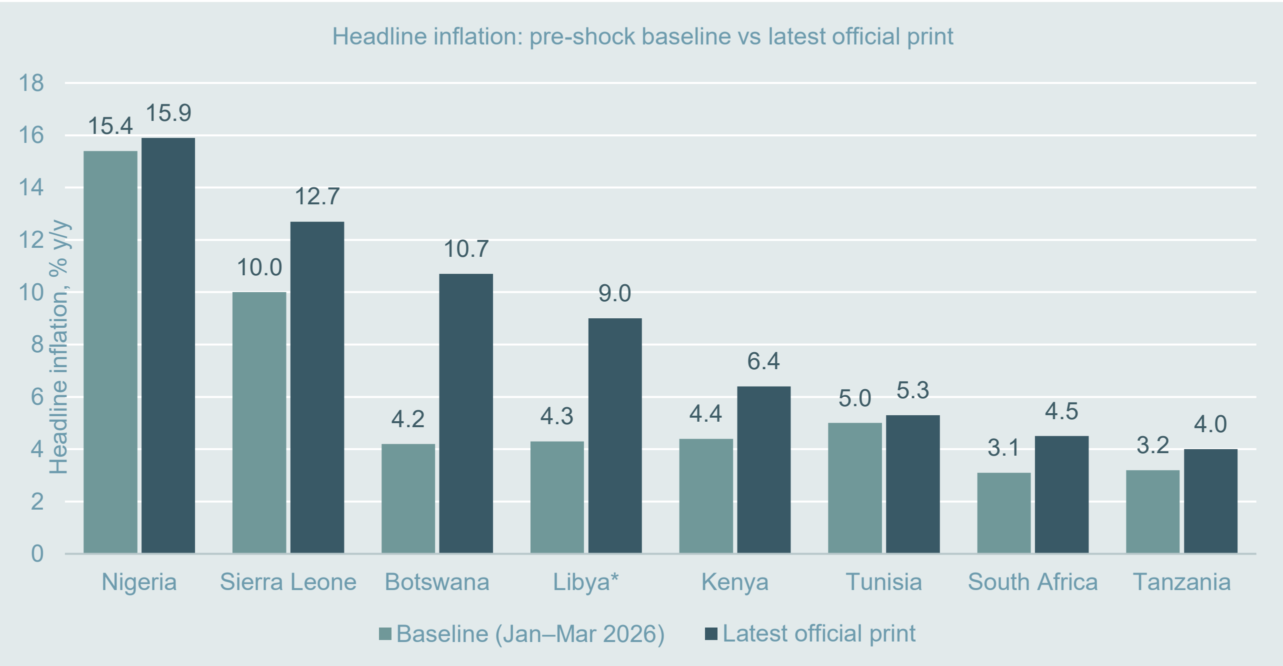


Source: computed from official sources

2.2. The Shock Has Eased, but Inflation Persists

Headline inflation continued to rise across most participating economies even as global commodity prices began to ease. Botswana experienced the sharpest increase, with inflation rising from 4.2 percent at the end of March to 10.3 percent in April and 10.7 percent in May 2026, an increase of about 6.5 percentage points in just two months. This reflected both the direct impact of higher fuel costs and the country's dependence on imported food, which accounts for 44 percent of the consumer basket. Libya's official data show a comparable surge, from 4.3 percent in January to 9.0 percent in February, though these are the latest prints published by the Bureau of Statistics and Census and largely pre-date the shock window used for the other countries, so they should be read as an early-warning signal rather than a like-for-like comparison. Nigeria recorded a third consecutive monthly increase in inflation, reaching 15.93 percent in May, while food inflation climbed to around 17 percent (NBS, as reported by BusinessDay, 2026). In Sierra Leone, inflation rose from around 8 percent before the crisis to approximately 10 percent in March before reaching 12.69 percent by the end of May. Kenya rose from 4.4 percent to 6.4 percent, South Africa from 3.1 percent to 4.5 percent (its highest since July 2024), and Tanzania from 3.2 percent to 4.0 percent, with Tanzania's June figure actually easing from May's 4.2 percent peak. Tunisia remained the clear outlier with a more modest increase, with inflation edging up from 5.0 percent to 5.3 percent over the same period. The IMF has revised regional growth downward to 4.3 percent for 2026, a reduction of 0.3 percentage points, reflecting the economic effects of the conflict (IMF, 2026).

Figure 2: Headline inflation, pre-shock baseline vs latest official figures



*Source: Official sources *Libya shows January vs February 2026, the latest print published by the Bureau of Statistics and Census.*

2.3. Supply Chains Have Recovered Faster Than Prices

The fuel scarcity that dominated the April dialogue has largely resolved. Sierra Leone, which in April could confirm only two weeks of petroleum stock and was rationing at fuel stations, reported roughly two months of cover for almost all products by early July, with no rationing. Nigeria's aviation sector, which in April faced fuel price increases of up to 300% and threats of grounded flights, has stabilized, with government subsidies holding ticket prices constant. Shipping has partially normalized through Hormuz. The binding constraint has therefore shifted to the fiscal cost of the measures used to protect it.

2.4. Governments Are Gradually Withdrawing Emergency Support

The emergency measures introduced in April are now being rolled back, although the pace and approach differ across countries. Sierra Leone has largely phased out fuel subsidies, retaining only a small subsidy on petrol, while the fuel pricing formula now generates net revenue for the government from diesel sales. The country is also implementing provisions of the Finance Act 2026 that had previously been suspended, following recommendations from a recently completed IMF assessment mission. In Nigeria, planned tax increases on tobacco, alcohol, and sugary beverages have yet to be implemented amid resistance from industry groups, although reductions in vehicle import duties, have already taken effect. Tunisia has adopted a cautious macroeconomic stance, maintaining its policy rate at 7 percent while monitoring developments. At the same time, it has restricted non-essential imports, delayed recruitment in public enterprises, and begun implementing a wealth tax provided for under its finance law. Collectively, these policy choices reinforce a key conclusion from the April dialogue: fiscal space is becoming increasingly constrained, and governments are financing recovery by withdrawing emergency support measures rather than expanding them (FDL, 2026; ACET 2026).

2.5. Diversification Is the Strongest Buffer Against External Shocks

The most important analytical difference across countries is structural. The two petroleum exporting economies, Libya and Nigeria, benefited from higher oil revenues as global prices increased. In Nigeria, oil prices have remained consistently above the government's budget benchmark of US$74.05 per barrel since February, boosting transfers to state and local governments. Earlier estimates by the Nigerian Economic Summit Group suggested that the country could realize an oil revenue windfall ranging from ₦2.3 trillion under a short conflict scenario to as much as ₦30.2 trillion if the conflict were prolonged (Nairametrics, 2026). Yet in both Libya and Nigeria, stronger government revenues have coexisted with continued pressure on household incomes. In Libya, participants also noted that the additional revenue could further complicate an already fragile political settlement. By contrast, Tunisia proved more resilient because of the structure of its economy rather than its natural resource endowment. Manufactured goods and services account for 94.1 percent of the country's exports, underscoring its diversified export base. This is consistent with Tunisia's African Transformation Index (ATI) score of 69.5, more than double the continental average of 30.3 (ACET, 2023). Economic diversification offers a more durable source of resilience than dependence on natural resource revenues.

3. Country Assessments

Table 1: Summary: April baseline versus July position

Country	April 2026 baseline (AAV snapshot)	July 2026 position (AAV follow-up and official data)	Outlook
Botswana	Headline inflation 4.0% (Mar) to 4.2% (Apr); temporary six-month fuel levy cut; diamond and tourism exports under pressure	Inflation surged to 10.3% (Apr) and 10.7% (May) on fuel pass-through; 6 July fuel-price cuts (diesel down P4.12/l) begin the unwind; diamond recovery planned (+20% Debswana output)	Turning point; cautiously encouraging
Kenya	Fuel prices up (petrol +10.8%, diesel +18.1%); trade pressures on agricultural exports and essential imports (fertilizers, petrochemicals).	Diesel prices down 6.3% (May-Jun); outlook improved by AGOA renewal (supporting exports and up to 70,000 EPZ jobs) and China's zero tariff market access, strengthening the trade balance.	Moderate concern, with important offsets
Libya	Oil windfall from higher prices; institutional fragmentation the chief risk	Output at 13-year high (~1.5m b/d); first unified budget in 13 years; IMF upgraded 2026 growth to 6.7%; medium-term political and food-security risks	A fragile winner
Nigeria	Petrol +58% since Feb; aviation fuel +300%; inflation 15.38% (Mar); duty cuts on 127 items	Inflation up a third straight month to 15.93% (May); food ~17%; pump prices sticky despite lower crude; oil revenue above the US$74.05 budget benchmark; PMI still expansionary	Significant concern despite windfall
Sierra Leone	Petroleum products +25-35% by late April; rationing; 1 Leone/l subsidy; Finance Act provisions suspended	Stocks up from two weeks to ~two months; no rationing; 29 June price cuts (petrol -5.7%, diesel -12.5%); subsidies	Significant concern

		phased out; inflation ~12.7% (May)	
South Africa	Fuel up ~R3/l (petrol) and ~R7/l (diesel); fertilizer 35% of input costs; 167 containers stranded by Hormuz closure; Cape rerouting opportunity	Food inflation ~3.1% (Apr), ~4.1% expected (Jul); SARB hiked 25bp to 7.0% (28 May); Q1 GDP +0.5% q/q; record current-account surplus; most vessels back through Hormuz	Encouraging, with vigilance
Tanzania	Fuel +33% (Mar-Apr); 59% of fuel imports from the Middle East; fertilizer +25% with planting-season shortages; muted fiscal response	No representative at the follow-up; official data show inflation 4.2% (May), AfDB growth cut to 5.4%, urea +121.5% y/y; EU aid tranche suspended	Significant concern
Tunisia	Resilient: stable retail fuel prices, uninterrupted supply chains; subsidy exposure the key risk	Still the most resilient: inflation 5.0% to 5.3%; rate held at 7%; tourism +5%, olive oil exports +55%, remittances ~US$1.5bn; trade and subsidy deficits widening	Most resilient (consistent with ATI score)

Sources: AAV dialogues & official data (April and July 2026)

3.1. Botswana

Botswana entered the crisis from a relatively strong position. Inflation was contained, and the initial assessment was that domestic price pressures would remain limited, partly due to a temporary six month reduction in the fuel levy. The more immediate concerns were external vulnerabilities, including weaker global demand for diamonds and tourism, alongside rising pressures on social protection spending. Diesel, a critical input for mining, transport, construction, and agriculture, transmitted the global energy shock into domestic production and distribution costs. At the same time, higher energy and fertilizer prices increased the cost of imported food, which accounts for 44 percent of Botswana's consumption basket. The challenges facing the diamond sector also extend beyond the current crisis, reflecting longer term pressures such as weaker global demand, subdued consumer spending, and rising diesel dependence as mining operations move deeper underground. The government expects the economy to rebound by 3.1 percent in 2026, supported by Debswana's planned 20 percent increase in output. However, fiscal risks remain significant, with public debt projected to exceed the statutory ceiling of 40 percent by March 2027, while S&P has downgraded the country's sovereign rating to BBB minus (Kathmandu Report, 2026; Mining.com, 2026).

3.2. Kenya

Kenya experienced the effects of the shock almost immediately through domestic fuel prices. On the policy front, the government initially reduced VAT on petroleum products from 16 percent to 13 percent and has since deepened and extended this relief: fuel products are now levied VAT at 8 percent rather than the standard 16 percent, with the relief extended through October 2026. The government has also set aside a Ksh 945 million subsidy to help stabilize fuel prices, while kerosene prices have been stabilized to protect vulnerable households. These measures appear to be holding the line: the Energy and Petroleum Regulatory Authority's July 2026 price review left the prices of petrol, diesel, and kerosene unchanged. However, overall price pressures remain elevated. Two external developments have provided important support to Kenya's economic outlook. The renewal of AGOA is expected to strengthen export opportunities and could support up to 70,000 jobs in Export Processing Zones, while zero tariff access to the Chinese market provides additional support to trade performance. The conflict lasting beyond three months could create more lasting damage through weaker growth, reduced government revenues, and lower investment in job creating sectors.

3.3. Libya

As a major petroleum producer, Libya was expected to benefit from higher global energy prices. However, these potential gains were tempered by the country's ongoing institutional fragmentation and political uncertainty. The short term impact has been largely positive. Higher oil prices have strengthened government revenues, improved the fiscal position, and enhanced Libya's potential role as an alternative energy supplier for Europe as countries seek to diversify energy sources beyond the Gulf. Recent developments support this assessment. Oil production reached a thirteen year high of approximately 1.49 million barrels per day in June. The IMF revised its 2026 growth forecast upward by 2.5 percentage points to 6.7 percent. The dinar also strengthened to below 7 per US dollar on parallel markets (Zawya, 2026; The National, 2026). Despite these gains, the longer term outlook remains uncertain. The increased flow of oil revenues could intensify competition among political actors, complicate efforts to resolve the country's institutional divisions and delay further the economic diversification.

3.4. Nigeria

Nigeria highlighted the complexity of being an oil producer during a global energy shock. Despite benefiting from higher crude prices, the country faced significant domestic pressures, with petrol prices rising by 58 percent since February, aviation fuel prices increasing by 300 percent and bringing air travel close to disruption, and headline inflation reaching 15.38 percent in March. In response, the government introduced an emergency package that reduced duties on 127 imported items to ease cost pressures. The benefits of higher oil prices have become increasingly visible at the macroeconomic level. Nigeria has been producing at its OPEC quota, realized oil prices have remained above the US$74.05 per barrel budget benchmark since February, and higher revenues have translated into increased federal allocations to state and local governments. However, these gains have not yet translated into meaningful relief for households. Headline inflation increased for a third consecutive month, reaching 15.93 percent in May, while food inflation rose to around 17 percent and transport inflation to approximately 17.1 percent, even as global crude prices were declining (BusinessDay, 2026).

3.5. Sierra Leone

Sierra Leone entered the crisis with limited fiscal space. By late April, petroleum prices had increased by 25–35 percent amid supply shortages and rationing at fuel stations. A temporary subsidy of one Leone per liter provided some relief to consumers, while the government's ability to respond further was constrained by the suspension of provisions under the Finance Act 2026 and a pending IMF assessment. The fuel supply situation has improved significantly. Stock coverage increased from about two weeks to roughly two months for most petroleum products, bringing an end to rationing. Following the completion of the IMF assessment, the government has begun implementing the previously suspended Finance Act provisions, in line with IMF recommendations and improved market conditions. Despite these improvements, households continue to face significant pressure. Inflation, which stood at around 8 percent before the crisis and rose to 10 percent in March, reached 12.69 percent by the end of May. The Leone also experienced modest depreciation as demand for foreign currency increased. For essential food items such as rice, the government continues to manage prices through a tariff and tax adjustment mechanism, reducing fiscal revenues when global prices rise in order to limit pressure on consumers. While this approach has helped contain food inflation, it has come at a considerable fiscal cost.

3.6. South Africa

The impact on consumer demand in the country has so far remained limited. Food inflation was approximately 3.1 percent in April and is projected to rise to around 4.1 percent by the end of July, an increase that households will absorb, supported by relatively high income levels compared with regional peers. However, supply-side risks are becoming more prominent. The wheat industry petitioned the International Trade Administration Commission to increase the dollar-based reference price used to determine the wheat tariff, currently around US$289 per ton, arguing that higher fertilizer costs required additional protection. The government rejected the request, and the industry is challenging the decision. The episode highlights a broader vulnerability: even countries with strong domestic food production remain exposed to external shocks through imported agricultural inputs. Monetary policy has also adjusted to rising pressures. On 28 May, the South African Reserve Bank increased the repo rate by 25 basis points to 7.0 percent, its first rate increase since 2023. The Bank revised its 2026 inflation forecast upward to 4.4 percent and lowered its growth projection to 1.2 percent. Nevertheless, economic indicators remain relatively resilient. The economy expanded by 0.5 percent in the first quarter, marking its sixth consecutive quarterly expansion, while stronger gold exports contributed to a current account surplus of R190.7 billion, equivalent to about 2.4 percent of GDP (Daily Maverick, 2026; Stats SA, 2026; SARB, 2026).

3.7. Tanzania

Tanzania was among the economies most exposed to the shock. Beyond fuel price surge and rising inflation, fertilizer prices rose by 25 percent amid planting season shortages, creating significant risks for food production. These pressures were amplified by energy and utilities, which account for around a quarter of the consumer basket, as well as potential risks to approximately US$800 million in annual remittance inflows. With limited fiscal space to provide support, the government warned that a conflict extending beyond May could reduce economic output by up to 3 percent relative to initial projections. The African Development Bank revised Tanzania's 2026 growth forecast downward from 6.0 percent to 5.4 percent, citing the effects of conflict related supply chain disruptions and higher energy costs, while projecting a recovery to 6.1 percent in 2027 (AfDB, 2026a). Tanzania retains important buffers. The shilling strengthened by 2.7 percent year on year to approximately TZS 2,612 per US dollar, while exports increased by 13.5 percent to around US$18.9 billion in the year, supported by strong performance in gold and tourism (Bank of Tanzania, as reported by TanzaniaInvest, 2026). However, significant risks remain. Global urea prices have increased by 121.5 percent year on year, creating direct pressure on the upcoming planting season, while the suspension of a €156 million EU financing tranche following the disputed October 2025 election has added further uncertainty to public financing (EU news, 2025).

3.8. Tunisia

Tunisia entered the crisis as an outlier among participating economies, with relatively stable fuel prices, uninterrupted supply chains, steady tourism activity, and contained inflation. Its main vulnerability was fiscal rather than immediate economic disruption, given the government's significant exposure to energy, food, and fertilizer subsidies. Tunisia's economy has remained resilient. Several buffers have supported this resilience. Tourism receipts have increased by around 5 percent, diaspora remittances have provided approximately US$1.5 billion in inflows, and a strong agricultural season has boosted olive oil exports by about 55 percent. However, the main risks remain fiscal. With the budget based on an assumed oil price of US$63.30 per barrel, every additional dollar increase in global oil prices is estimated to widen the subsidy deficit by around 164 million dinars (approximately US$55 million). The trade deficit also reached about 10.4 billion dinars (US$3.4 billion) in the first half of 2026. Growth remains modest at around 2.5 percent, despite an 18 percent increase in the stock market, highlighting the disconnect between financial market performance and the broader economy. Public debt exceeding 80 percent of GDP further limits policy flexibility (AfDB, 2026b).

4. Policy Recommendations

4.1. Adopt a scenario-based approach to monetary policy

Central banks should distinguish between first round external price shocks and second round domestic inflationary pressures before tightening monetary policy, and avoid unnecessary rate increases when inflation is primarily imported. Tunisia's decision to maintain its policy rate at 7 percent and South Africa's measured single rate increase illustrate this approach, while Botswana's experience underscores the need to monitor second round effects such as inflation expectations and business price adjustments. At the same time, central banks should prepare contingency responses for adverse scenarios, including a sustained return of Brent crude prices above US$100 per barrel or a prolonged disruption to shipping through the Strait of Hormuz, rather than relying on ad hoc policy responses.

4.2. Address price asymmetry

Governments, regulators, and competition authorities should ensure that declines in international fuel and import costs are reflected in domestic prices as quickly as price increases are. This can be achieved by publishing transparent fuel pricing formulas, as seen in Sierra Leone and Botswana, reviewing fuel marketer margins, as Nigeria has begun to do, and engaging transport operators to ensure that lower fuel costs translate into reduced public transport fares. Ensuring that price relief reaches consumers promptly will strengthen public confidence in future crisis response measures and improve the effectiveness of government interventions.

4.3. Build regional capacity in critical inputs

Africa should invest in expanding domestic and regional production of strategic inputs, including refined petroleum products, fertilizers, edible oils, and other energy related products. Nigeria's growing refining capacity and Libya's potential role as an alternative energy supplier to Europe illustrate the economic and strategic value of strengthening domestic production capabilities. These investments should be complemented by regional storage infrastructure, transport corridors, and logistics systems that enable critical goods to move efficiently across borders, reducing dependence on external suppliers and strengthening resilience to future shocks.

4.4. Ring-fence windfall revenue

Countries benefiting from higher commodity revenues, particularly Nigeria and Libya, should channel conflict related windfalls into stabilization or sovereign savings funds governed by clear and transparent rules, rather than using them to finance recurrent expenditure. Saving a portion of these temporary gains would help contain inflationary pressures, strengthen fiscal resilience, and provide a buffer to support the economy during future downturns or external shocks.

4.5. Accelerate the operationalization of Africa's emerging financial stability architecture

African institutions and development partners should fast-track the African Financing Stability Mechanism (AFSM) approved by the African Union in 2025 and hosted by the African Development Bank.

This would provide affordable debt-refinancing liquidity and concessional financing during major external shocks, alongside the broader New African Financial Architecture for Development (NAFAD) endorsed in the April 2026 Abidjan Consensus. Conclude the AFSM's founding treaty and establish clear, transparent access criteria to help vulnerable countries such as Sierra Leone and Tanzania protect households while maintaining fiscal sustainability.

4.6. Build resilience through economic transformation

The dialogue reinforced that long term economic transformation, rather than natural resource endowments, provides the strongest protection against external shocks. Tunisia's resilience demonstrates the benefits of a diversified economy with competitive manufacturing and services, while countries that remain heavily dependent on a narrow range of commodities are more vulnerable to global disruptions. Governments should therefore transform their economies by strengthening economic diversification, and fostering competitive exports. For Botswana, this means accelerating diversification beyond diamonds, while for Nigeria the priority is expanding non-oil revenues and reducing fiscal dependence on hydrocarbons (ACET, 2023).

5. Conclusion

Ten weeks after the AAV network warned that a conflict lasting beyond three months could turn a temporary shock into structural damage, the follow-up dialogue shows that both aspects of that warning are beginning to materialize. The cyclical shock is receding. The immediate crisis has begun to ease. Global prices have receded, fuel stocks have been rebuilt, and lower pump prices are gradually reaching consumers. But the deeper economic effects are unfolding more slowly. Inflation continues to linger, governments have exhausted much of their fiscal room, and the renewed hostilities in July served as a reminder that the ceasefire remains fragile. The divergence among the eight countries carries the central lesson. Tunisia's resilience was built before the shock, in the diversity of what it sells to the world. Libya's and Nigeria's windfalls will be judged by what is done with them. Across Botswana, South Africa, Tanzania, and Sierra Leone, the pattern is clear: external shocks take time to filter through the economy, but when they do, households often bear the greatest burden.

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