



GOVERNING EXTERNAL SHOCKS: INSTITUTIONAL RESILIENCE, ENERGY POLICY, AND SUSTAINABLE DEVELOPMENT PATHWAYS IN AFRICA UNDER GEOPOLITICAL CRISIS

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This article challenges the capacity of African states to handle external shocks as geopolitical crises emerge, the systemic implications of the 2026 US-Israel-Iran conflict on energy systems, institutional resilience, and sustainable development paths. Beyond the established view of exogenous shocks as temporary, the article conceptualizes crises as a stress test of systemic weaknesses in governance, fiscal regimes, and regional coordination. The article builds on a comparative political economy approach to develop the concept of shock transmission chains to understand how disruptions can spread across energy markets, trade systems, financial flows, and socio-political stability. It also goes a step further by developing a resilience-based analytical model in which institutional capacity mediates the relationship between developmental outcomes and external shocks. The results imply that the policy responses to the crisis, especially fuels subsidies, emergency imports, and nationalism of resources tend to stabilize the economy in the short term but destroy long-term investments in energy transition and climate resilience. Concurrently, unequal benefits between the resourceful states pose the threat of institutionalising structural inequalities. The article contributes to the developing discussion on crisis governance by proposing an African Renaissance-based resilience model grounded in anticipatory governance, regional integration, energy sovereignty, and adaptive, polycentric governance capacity. It concludes that the future of the development of Africa in a geopolitically turbulent world is not its insulation from external disruptions but its transformation of systems of governance that would be able to assimilate, adapt, and use external disruptions in a strategic way.

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1. INTRODUCTION

The US-Israeli escalation into the war with Iran in 2026 is a milestone of the new geopolitics and how the conflicts that occurred in distant regions can have immediate and distant effects to structurally weak regions such as Africa. Caused by coordinated military attacks and subsequent retaliatory measures, the war has quickly become a systemic international shock, shaking energy markets, trade routes, and financial security. The epicentre of this turmoil is the Strait of Hormuz, a major maritime choke-point where about one-fifth of the world oil flow passes. Its partial blockage and militarisation have greatly reduced shipping activity, stalled ships, and caused drastic rises in world energy prices.¹

In the case of African economies, the impact is both short-term and asymmetrical. The continent's profound exposure to global energy and commodity markets, paired with structural dependence on imports, makes it extremely susceptible to external shocks transmitted through fuel prices, supply chains, and financial markets.² Recent data show that the conflict is already causing threefold pressure in Africa, including increased fuel prices, reduced remittance flows, and deteriorating food insecurity. The pressures are exacerbated by wider macroeconomic instability, such as inflationary spikes, currency depreciation, and capital outflow, especially in frontier and import-reliant economies.³ However, the impacts of the crisis are not even. The oil-exporting countries like Nigeria and Angola enjoy the short-term fiscal windfalls caused by high crude prices and the oil-importing countries like South Africa, Kenya and Ethiopia experience a worsening balance of payments and increasing living costs. This difference highlights a major paradox: the same external shock can create

¹ United Nations Conference on Trade and Development, 'Strait of Hormuz Disruptions: Implications for Global Trade and Development' (UNCTAD, 2026) <https://unctad.org/publication/strait-hormuz-disruptions-implications-global-trade-and-development> accessed 3 April 2026.

² Ibid 1.

³ Channel Africa, 'Middle East Conflict Threatens Africa's Growth, Fuels Inflation, Food Insecurity' (Channel Africa, 2026) <https://www.channelafrica.co.za/channelafrica/news/middle-east-conflict-threatens-africas-growth-fuels-inflation-food-insecurity/> accessed 2 April 2026.

both opportunity and vulnerability, depending on the domestic economic structure.⁴

In addition to economic impacts, the war is transforming the security and geopolitical landscape in Africa. Militarisation of global energy lines, the threat of extremist spillovers, and the strategic demands associated with foreign military basing arrangements underscore the continent's increasing involvement in foreign conflicts. Past experiences show that instability in the Middle East can be reflected in the security structures of the African region, which exacerbates domestic issues and international challenges. Such external shocks cannot be seen as a case of exogenous disruptions, as this article argues, but rather as catalytic stress tests of institutional resilience. The capacity of African states to absorb, adapt to, and strategically respond to these shocks is essentially determined by the soundness of their governance and policy coordination systems, as well as their long-term development strategies. Even though short-term solutions such as fuel subsidies, emergency imports and fiscal solutions can stabilize the local economies, they are more likely to cause more massive promises to sustainable development and energy transition.

This article therefore proceeds to develop three fundamental questions including: (1) how do external geopolitical shocks get transmitted to the African political and economic systems? (2) what is the mediating role of institutional resilience in state responses? and (3) how do energy policies in response to crises transform sustainable development paths? Based on a comparative political economy approach, the article explores these dynamics across a range of African cases, particularly in the Sahel and other structurally vulnerable regions. Rather than providing an exhaustive empirical analysis of each transmission channel, the study adopts a conceptual-comparative approach, using selected African cases to illustrate how interconnected channels of shock transmission interact with institutional resilience. The article places Africa in the broader context of the US-Israel-Iran conflict and geopolitical economy, which contributes

⁴ L Bassompierre and others, 'Not a Commodity Boom': Why the Iran Crisis Is a Trap for African Economies' (The Africa Report, 2026) <https://www.theafricareport.com/410739/not-a-commodity-boom-why-the-iran-crisis-is-a-trap-for-african-economies/> accessed 3 April 2026.

to the new scholarship on crisis of governance and interdependence on the world. It argues that Africa's future development will not be based on the increasingly unsustainable strategy of insulating itself against external shocks, but rather on the construction of adaptive, resilient institutions that can survive in an age of continued geopolitical turbulence.

The rest of the article is divided into five sections. The first section lays out the theoretical system by using a theoretical framework, drawing on Neo-Institutional Theory and the concept of Institutional Resilience to explain how governance structures shape responses to external shocks. The second section outlines the study's methodological approach and introduces the conceptual framework linking geopolitical shocks, transmission mechanisms, institutional resilience, policy responses, and development outcomes. The third section provides the empirical and analytical discussion, examining shock transmission pathways, institutional resilience under stress, energy policy responses, security spillovers, sustainable development implications, and the role of regional institutions. The fourth section introduces a resilience model based on the African Renaissance and proposes a policy framework centred on resilience to improve governance and the capacity to adapt across the continent. The last section wraps up the article by recapping the major points and focusing on policy avenues for boosting Africa's resilience to forthcoming geopolitical shocks.

2. THEORETICAL FRAMEWORK: INSTITUTIONAL RESILIENCE AND CRISIS GOVERNANCE

The study is primarily anchored on the Neo-Institutional Theory and is supported by the concept of Institutional Resilience. The Neo-Institutional theory was a significant development from the work of John W. Meyer and Brian Rowan⁵, Paul DiMaggio and Walter Powell⁶ and

⁵ John W Meyer and Brian Rowan, 'Institutionalized Organizations: Formal Structure as Myth and Ceremony' (1977) 83 *American Journal of Sociology* 340.

⁶ Paul J DiMaggio and Walter W Powell, 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields' (1983) 48 *American Sociological Review* 147.

further advances in historical institutionalism by Theda Skocpol and Peter Hall. The theory contends that political and economic outcomes are not determined exclusively by market forces or individual actors but are significantly shaped by formal and informal institutions, including rules, norms, governance structures, and policy arrangements.

According to the central tenet of the Neo-Institutional Theory, institutions effect behaviours, policy decisions, and the ability of states to react to external pressures. Institutions hence shape interpretations of challenges by governments, the allocation of resources, the coordination of responses, as well as pursuing development objectives. In times of crisis, institutional arrangements are particularly relevant as they shape the capacity of states to respond with adaptations to new situations or to get stuck in a cycle of policy failure.

In this regard the study builds on this view by including the concept of Institutional Resilience. According to Ansell, Trondal and Øgård⁷, institutional resilience refers to the ability of governance systems to withstand, absorb, adapt and recover from external shocks or stresses and continue to perform their core functions. While conventional economics views external shocks as short-term shocks, institutional resilience focuses on the ability of governance systems to learn and adapt to crises, or change in structure.

These theoretical perspectives are directly relevant to this study. The 2026 US–Israel–Iran conflict is an external geopolitical shock that will impact the African states in the energy markets, trade systems, financial flows, remittances, and security dynamics. The impact of these shocks is however not the same for all countries. According to Neo-Institutional Theory, the institutional differences account for the differences in policy responses and developmental outcomes. Institutional Resilience Theory also provides an insight into why some states are better able to withstand and adjust to shocks and stresses from the outside world than others are.

⁷ Christopher K Ansell, Jarle Trondal and Morten Øgård, *Governance in Turbulent Times* (Oxford University Press 2016).

These theories offer an analytical framework for analysing the mediation of the impact of external shocks on sustainable development and their transmission across African political economies. They also quoted in this article the core argument that resilience is not just a function of external risks but a result of the quality, adaptability and effectiveness of governance institutions. This study goes beyond these theoretical insights to conceptualise the link between shock transmission pathways, institutional mediation and African Renaissance-oriented development outcomes.

Shock Transmission Chains: A Governance-Centred Analytical Concept

One of the key analytical findings of this study is the concept of shock transmission chains. The sequence of and linkages between the various economic, political, social and institutional impacts of an external geopolitical shock, which creates compound effects that go beyond the initial impact the shock. The idea of shock transmission chains is inspired by a number of existing literatures, but each makes some important contribution. In economics, financial economics, contagion is the transmission of disturbances between markets and economies. Spillover effects are the indirect effects of events that happen across international borders in international political economy. Multiplier effects are economic effects that are produced by an initial economic disturbance and lead to further economic effects. Likewise, complex systems theory has developed the notion of cascading failures, or how failures in one subsystem can lead to failures in another.

These methods offer valuable information, but they tend to be specific to certain areas or industrial sectors. Here the notion of "shock transmission chains" aims at embedding these views in a bigger governance and political economy narrative. The concept draws attention to the interaction of multiple spillovers along several transmission channels rather than each channel or channel-specific spillover alone, and focuses on the way these channels of transmission are engaged across energy systems, trade networks, financial markets, remittance flows, security environments, and governance institutions.

Disruptions in global energy markets for instance, cause an escalation of fuel prices, link to inflationary pressures, fiscal pressures, food insecurity, and social instability in the context of the 2026 US–Israel–Iran conflict. The subsequent impact, which is through institutional capacity and policy response, constitutes a chain of interconnected effects. The idea was thus to emphasise both the seriality of transmission and the importance of institutions in determining the final developmental outcomes of exogenous shocks. The idea was thus to highlight not only the seriality of transmission but also the role of institutions in determining the final developmental outcomes of exogenous shocks. The concept is analytically valuable because it allows for a shift from sectoral to systems level understanding of how geopolitical crises are contextualized into developmental crises and opportunities in African states.

3. METHODOLOGY

This study adopts a qualitative comparative political economy research design to explore how external geopolitical shocks are transmitted through the political and economic systems in Africa and how the resilience of institutions will mediate their developmental effects. The study is primarily conceptual and analytical, using illustrative case evidence to demonstrate systemic relationships rather than to conduct exhaustive empirical testing of each transmission channel. The study is not of empirical or experimental type and does not entail gathering of primary data. Instead, it relies exclusively on secondary sources to develop and evaluate the proposed analytical framework. The sources of data for this study were various documentary sources containing publications from international organizations such as United Nations Conference on Trade and Development (UNCTAD), World Bank, African Development Bank (AfDB), United Nations Development Programme (UNDP), the United Nations (UN) and the African Union (AU), and the International Monetary Fund (IMF). These sources were complemented by peer-reviewed academic literature, policy reports, think-tank publications, and contemporary analyses addressing the geopolitical, economic, and developmental implications of the 2026 US–Israel–Iran conflict.

The unit of analysis are selected African states that are characterised by varying levels of resource endowment and institutional capacity, as well as varying vulnerabilities to external shocks. Range was sought with respect to these dimensions by using a purposive case-selection strategy. Nigeria and Angola were chosen as key oil exporters, South Africa and Kenya as a group of relatively diversified but energy-import reliant countries, and selected Sahelian states (Mali, Niger, and Burkina Faso) as illustrative of a set of vulnerable economies with institutional fragility and increased sensitivity to external shocks.

The study did not use survey instruments, interviews or questionnaires since it is based on documentary evidence. Policy responses, institutional arrangements and developmental outcomes, as indicated in the literature and policy documents, are thus the focus of analysis. Data analysis technique used is qualitative thematic analysis, and comparative analytical synthesis. The analysis was carried out in three phases. First, a documentary analysis was conducted to determine the main ways in which external geopolitical shocks can be passed on to the African economies, such as the energy market, trade systems, financial flows, remittance networks and security dynamics. Second, the study compared the impact on state responses of different levels of institutional resilience. Third, the developmental impacts of the policies on crisis response were analysed, focusing on energy governance, sustainable development goals and regional integration. The comparative approach allowed the identification of patterns and variation of each case and helped to formulate analytical propositions about the link between external shocks, institutional resilience, and development path in Africa. Although the study does not test formal hypotheses, it seeks to generate theoretically informed insights into the governance challenges and opportunities created by contemporary geopolitical crises.

4. CONCEPTUAL FRAMEWORK

The conceptual framework in Figure 1 depicts the linkages between external geopolitical shocks, transmission mechanisms, institutional resilience, policy responses and development outcomes. The framework

rests on the premise that shocks to Africa do not impact every country in the region in the same way or directly. Instead, their impacts are channeled through interwoven networks of energy markets, trade systems, financial flows, remittance networks and security dynamics. Institutional resilience acts as the main mediator in the framework. Governance systems' capacity to predict, absorb, adapt and respond to external pressures impacts on the nature and effectiveness of policy interventions. While institutional resilience is often associated with governance capacity and policy effectiveness, resilience should not be understood as a simple function of institutional strength. Adaptive governance scholarship emphasizes that resilience also depends on flexibility, learning, experimentation, and the ability of institutions to adjust to changing circumstances.⁸ Highly centralized or rigid institutions may possess substantial administrative capacity yet struggle to respond effectively to rapidly evolving crises due to bureaucratic inertia and path dependency. Conversely, societies with relatively weak formal institutions may demonstrate resilience through informal governance arrangements, community networks, and locally embedded adaptive practices. Consequently, resilience is best understood as a dynamic combination of institutional capacity and adaptive capability rather than merely the strength of formal state structures. In states with high institutional resilience, coordinated and adaptive responses are likely to be carried out that will integrate short-term stabilisation with long-term development goals. In contrast, states with less institutional resilience are more prone to adopting reactive responses that focus on the immediate survival but can damage long-term sustainability.

The framework also suggests that policies affect developmental pathways. The implementation of crisis-management measures like fuel subsidies, emergency imports and resource nationalism can have short-term economic benefits, but can also have implications for energy transition, fiscal sustainability and climate resilience. The end effects of these developmental outcomes are thus influenced by the synergy of external forces, institutional capacity and policy decisions. From a broader African

⁸ Thomas Dietz, Elinor Ostrom and Paul C Stern, 'The Struggle to Govern the Commons' (2003) 302 *Science* 1907; Carl Folke, Thomas Hahn, Per Olsson and Jon Norberg, 'Adaptive Governance of Social-Ecological Systems' (2005) 30 *Annual Review of Environment and Resources* 441.

Renaissance perspective, resilience is seen not only as the ability to withstand shocks, but as the ability to learn within the institutions, adapt and transform.

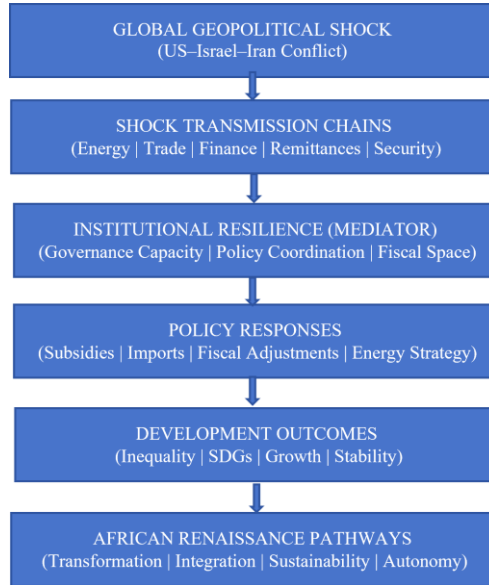


Figure 1: External Shock Transmission, Institutional Mediation, and African Renaissance Pathways

Source: Author's Conceptualisation (2026)

5. EMPIRICAL AND ANALYTICAL DISCUSSION

The empirical discussion adopts a structured comparative analytical approach across selected African countries. The comparison is organised along three analytical dimensions: (i) institutional capacity (including governance effectiveness, fiscal management capacity, and policy coordination), (ii) exposure to external shocks (including energy import dependence, trade vulnerability, and financial openness), and (iii) crisis response strategies (including subsidy regimes, fiscal interventions, and energy policy adjustments). These dimensions are derived from documented findings in international policy reports and development

databases, enabling systematic comparison across cases rather than purely descriptive observation. Special focus is given to how the institutional resilience influences the formulation of policy responses, such as how much governments can balance short-term stabilisation strategies with long-term development goals. There are three parts to the conversation. It starts by mapping out the main ways that shocks from outside Africa spread. Second, it figures out how different levels of institutional capacity affect how states respond to these pressures. Third, it looks at how these kinds of responses affect sustainable development paths in the larger context of African Renaissance goals. The following analysis presents an integrated systems-based interpretation rather than separate empirical treatments of each transmission channel.

Shock Transmission Pathways: From the Gulf to the Sahel

The external shocks originated in the conflict are not delivered in a one-way channel, but they spread in a number of ways, interconnected to each other, and their effects compound. The Strait of Hormuz is a strategic choke-point that processes about 20 percent of the world oil trade and disruptions have triggered steep rises in crude oil prices with spill-over effects on fuel-importing African economies. In the past, the impact of oil price shocks has disproportionately affected Sub-Saharan Africa, in nations with weak fiscal buffers and high energy import reliance.⁹ To the net oil importers like South Africa and Kenya, the increased fuel prices are directly translated to a higher transportation and production costs, which contributes to inflation and depletes household purchasing power. The oil exporters such as Nigeria and Angola enjoy temporary revenue windfalls, though they are usually counterbalanced by exchange rate volatility, governance inefficiencies, and pro-cyclical nature of commodity-

⁹ F Hiney, 'Strait of Hormuz Closure and How It Can Impact African Economies' (Forbes Africa, 4 March 2026) <https://www.forbesafrica.com/current-affairs/2026/03/04/strait-of-hormuz-closure-and-how-it-can-impact-african-economies> accessed 2 April 2026; United Nations Conference on Trade and Development, 'From Gas to Grain: Fertilizer Disruptions Raise Risks for Food Security and Trade' (UNCTAD, 2026) <https://unctad.org/news/gas-grain-fertilizer-disruptions-raise-risks-food-security-and-trade> accessed 2 April 2026.

dependent fiscal regimes.¹⁰ Therefore, the energy channel will generate stabilising and destabilising effects, depending on domestic economic structures.

A second key route is the breakup of global shipping and logistics networks. Gulf insecurity has been heightened and major shipping lines have been forced to bypass the African continent, and this has been adding more time and freight costs to transit. This has major effects on the African economies that are already struggling with low infrastructural bottlenecks and high trade costs. Evidence shows that the rise in shipping expenses can be just as inflationary as tariff increases, especially in those economies reliant on imports.¹¹ In landlocked Sahelian states, which are largely dependent on transits along the coast, such disruptions worsen already fragile situations, causing delays on basic commodities, such as food and medical supplies. The outcome is a multiplication of the economic stress not only to the energy markets, but also to the consumption system as a whole.

The third transmission channel is on global financial markets. Geopolitical instability is more likely to cause a flight to safety, as investors pull out capital in emerging and frontier markets in favour of more secure investments. Such capital reversals are especially prone to African economies, most of which are already overly in debt. The latest trends show that the growth in uncertainty throughout the world is linked to the depreciation of currencies, dwindling foreign exchange reserves, and the escalation of the cost of borrowing in the African states.¹² These dynamics limit the fiscal space of governments, and they are not able to adequately

¹⁰ Legal Brief, 'Africa Panic over Oil Price Surge and Low Reserves' (Legal Brief, 2026) <https://legalbrief.co.za/diary/legalbrief-africa-new/story/africa-panics-over-oil-price-surge-and-low-reserves/pdf/> accessed 3 April 2026.

¹¹ Yan Carrière-Swallow and others, 'Shipping Costs and Inflation' (IMF Working Paper No WP/22/61, 2022) <https://www.imf.org/-/media/files/publications/wp/2022/english/wpica2022061-print-pdf.pdf> accessed 2 April 2026.

¹² United Nations Conference on Trade and Development, 'Hormuz Disruption Deepens Global Economic Strain across Trade, Prices and Finance' (UNCTAD, 2026) <https://unctad.org/news/hormuz-disruption-deepens-global-economic-strain-across-trade-prices-and-finance> accessed 3 April 2026.

respond to the crises. In severe instances, they can trigger balance-of-payments crises, which will further entrench economic instability.

Another pathway of transmission with less focus but of equal significance is that of remittance by African employees in Gulf economies. Nigeria, Kenya, and Ethiopia are some of the countries that heavily depend on remittances as foreign exchange and household earnings. The effect of disruptions on the aviation routes, labour market, and financial systems in the Middle East have resulted in delayed remittances and decreases in remittance inflows. Since remittances can act as informal social safety nets, their fall has a direct effect on poverty rates and family stability. This underscores how far the socio-economic stability of Africa is not only commodity market-based but also transnational labour mobility.¹³

Lastly, a combination of these shocks becomes manifest in the domestic economies level, whereby there is an increase in inflation and food insecurity. High costs of fuel and transportation push food prices up, which is disproportionately impacting low-income households. The compound effects of global shocks may cause humanitarian crises in places like the Sahel which are already characterised by climatic stress and vulnerable food systems. According to the World Bank Group¹⁴, the external price shocks are a significant cause of food insecurity in import-related areas especially when coupled with poor institutional response capacity. This forms a loop where economic distress contributes to social unrest hence compromising political stability.

Collectively, these channels depict that the effects of external geopolitical crises on Africa are not linear or isolated. Rather, the shocks spread via interdependent systems, which reinforce each other in a manner that amplifies their total impact. Increases in energy prices are a source of

¹³ African Development Bank Group and others, 'The Impacts of the Middle East Conflict on Africa' (UNDP, 2026) https://www.undp.org/sites/g/files/zskgke326/files/2026-04/policy_brief-the_impacts_of_the_middle_east_conflict_on_africa-april_2026_.pdf accessed 3 April 2026.

¹⁴ World Bank, *Food Security Update* (World Bank 2026) <https://www.worldbank.org/en/topic/agriculture/brief/food-security-update> accessed 2 April 2026.

inflation, which increases fiscal stress, fiscal stress limits policy responses, and poor responses enhance socio-political instability. The article will conceptualise these dynamics as chain of shock transmission, and the significance of a systemic analysis when interpreting the effects of crises. Importantly, domestic institutional capacity mediates the severity of these impacts.

Institutional Resilience Under Stress

The different effects of external shocks on African states highlight an important analytical fact that vulnerability is not defined by exposure alone, but by the ability of institutions to handle, absorb, and adjust to crisis. In this section the article claims that institutional resilience is the determining variable that determines the way African countries react to the spillover effects of the US-Israel-Iran war. In this context, external shocks are stress tests where strengths and weaknesses inherent in governance systems emerge.

The capacity of state structures to predict, endure, and respond to disruptive events without a loss in primary functions is known as institutional resilience.¹⁵ In the African context, the notion should be interpreted in the context of the historical structural limitations, such as colonial legacies, weak bureaucratic capacity, and disjointed policy environments. Effective coordination, flexibility of the policies, fiscal discipline, and credible governance structures characterise resilient institutions. The weak institutional systems are more likely to augment shocks by responding slowly, lack of policy coherence, and ability to implement the policies. The difference between these paths is especially acute in times of world crisis.

Evidence from the governance indicators of the World Bank and IMF policy assessments suggests that countries with stronger institutional quality tend to exhibit greater coordination in monetary and fiscal

¹⁵ Ibid 7; R Konyefa Dickson, 'Organizational Resilience as the Springboard for Organizational Success in a Turbulent Business Environment' (2025) 2 *European Journal of Management Economics and Business* 3.

responses during external shocks.¹⁶ This is particularly evident in economies with stronger fiscal frameworks and central bank autonomy, which allows for more coordinated inflation management and energy pricing responses. Nevertheless, in these situations, policy interventions are constrained by structural factors, including energy dependence and inequality. Conversely, less powerful systems of governance, especially in the Sahel regions, are compounded. Their response capabilities are limited due to limited administrative reach, unstable security situations, and reliance on foreign assistance. In these situations, external shocks are likely to be converted into governance crisis and this contributes to the instability.¹⁷ The policy response is still disjointed in most African states, which is indicative of institutional silos and poor inter-agency cooperation.¹⁸ Subsidy policies aimed at fuel, which can be implemented as emergency relief, can often be incompatible with fiscal consolidation objectives and long-term energy transition policies. Such incoherence compromises the credibility of policies and the efficacy of interventions.

Comparative evidence shows the significance of institutional resilience for different responses to external shocks. Nigeria is but a case in point of how wealthy resources do not necessarily equate to resilience in the face of governance issues. While oil price shocks can create substantial fiscal gains, the developmental impacts of such windfalls tend to be limited by the fiscal dependence, fiscal leakages and the general governance issues that come with resource-dependent economies.¹⁹ While South Africa has comparatively robust institutional capacity and macroeconomic management structures, many energy supply challenges, fiscal constraints

¹⁶ World Bank, *Worldwide Governance Indicators* (World Bank 2026) <https://info.worldbank.org/governance/wgi/> accessed 3 April 2026; International Monetary Fund, *Regional Economic Outlook: Sub-Saharan Africa* (International Monetary Fund 2026) <https://www.imf.org> accessed 3 April 2026.

¹⁷ Ibid 16.

¹⁸ Paola D’Orazio, ‘Addressing Climate Risks through Fiscal Policy in Emerging and Developing Economies: What Do We Know and What Lies Ahead?’ (2025) 119 *Energy Research & Social Science* Article 103852.

¹⁹ World Bank, *Making Industrial Policy Work in Africa* (Africa Economic Update, World Bank 2026) <https://openknowledge.worldbank.org/entities/publication/05fbca68-8800-4de7-8f37-679ce7ecc5b2> accessed 3 April 2026; Ibid 13.

and high public debt are still limiting policy effectiveness.²⁰ Kenya stands as a case study in the fragility of relatively diversified but import-dependent economies that can easily see inflationary pressures and fiscal strains as a result of external shocks as they enter the economy through energy and trade links.²¹

The difficulties are especially high in Sahelian countries where institutional fragility is aggravated by security challenges, political uncertainty, and weak administrative abilities, Mali, Niger and Burkina Faso. In this setting, external shocks are more likely to aggravate vulnerabilities and negatively impact governance effectiveness.²² Overall, the cases indicate that the quality of institutions is an important factor in how external shocks impact and influence the outcomes of resilience across African States.

The literature on institutional resilience indicates that in times of crisis, institutions have a dual role. On the one hand, strong institutions act as shock absorbers by facilitating timely policy responses, coordination across government agencies, and adaptive decision-making in the face of external disruptions.²³ On the other hand, weak institutions may amplify shocks through policy incoherence, limited implementation capacity, and governance failures, thereby allowing external pressures to generate broader economic and political instability.²⁴ This duality is even more relevant in the contemporary geopolitical crisis when many transmission channels (energy, trade, finance and security) play a dual role. In such situations governments with less institutional capacity often have to depend on short-term measures taken in a reactive manner, which might have negative implications on the long-term development goals.

²⁰ Ibid 19.

²¹ Ibid 13.

²² M Babiker, 'Regionalisation of Conflicts and Solutions: Towards Durable Solutions in African Arena' (2021) <https://www.researchgate.net/publication/349477685> accessed 4 April 2026; Ibid 16.

²³ Ibid 7.

²⁴ Douglass C North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press 1990); Ibid 18.

The resilience of institutions is not just a matter of crisis management, but also one of longer-term development pathways. There is evidence of a relationship between quality of governance, and successful implementation of short-term stabilization measures, and the adoption of wider policy measures such as social protection and economic transformation and energy transition strategies.²⁵ By contrast, weaker institutional systems are more likely to prioritise immediate survival needs at the expense of longer-term structural reforms. The observations support the point of view that external shocks generate pressures and constraints, but that institutional capacity has a significant mediating effect on the developmental potential of the crisis, in that it can either cause a developmental setback or a transformation.

Energy Policy Responses: Between Survival and Sustainability

The fallout of the 2026 US-Israel-Iran war on global energy markets has left African governments scrambling to respond. However, there is also an element of contradiction in these reactions. The need for immediate energy security and economic stability often comes at the expense of long-term commitments to sustainability and structural change.

This section suggests that an energy policy survival versus sustainability dilemma is at the heart of Africa's energy policy responses, and it is influenced by institutional capacity and the dynamics of the political economy. Between the immediate aftermath of a crisis and now, most governments in Africa have made the implementation of emergency measures a part of their arsenal aimed at protecting local economies from rising fuel prices. These are the types of interventions that distributions of fuel subsidies, price controls, strategic reserves release, and renegotiation of energy import contracts. While these policies can be a short-term relief for both households and businesses, taxing the public purse which is already stretched. From the experience of previous oil price shocks, one can observe that fuel subsidies, in particular, rewrite the direction of social benefits, waste resources, and when implemented, they become almost

²⁵ Ibid 7; Ibid 19.

impossible to remove.²⁶ In the cases of Nigeria and Kenya, the previous subsidy systems have used up vast portions of government expenditure, resulting in low priority sectors such as infrastructure, health, and education being neglected. The crisis at the moment is likely to exacerbate these problems, pushing the government into a policy commitment that is both unsustainable and costly.

Energy policy responses are not merely technocratic decisions; they are deeply embedded in political and social realities. Governments facing rising living costs, inflationary pressures, and growing social discontent often prioritise short-term price stabilisation measures, even when such interventions may compromise long-term efficiency and sustainability objectives.²⁷ Policies such as fuel subsidies, price controls, and emergency market interventions are politically attractive because they provide immediate and visible relief to households and businesses. However, these measures may also generate significant fiscal burdens and delay broader energy-sector reforms. The political economy dimensions of energy policy are particularly evident in contexts where leaders face electoral pressures or concerns about social unrest. In such situations, governments may hesitate to implement necessary but politically costly reforms, including subsidy removal, tariff adjustments, or energy pricing reforms, despite their potential long-term benefits.²⁸ This dynamic demonstrates that institutional resilience is not solely a matter of technical or administrative capacity. It also depends on political leadership, governance credibility, and the ability of institutions to sustain difficult policy choices during periods of crisis.²⁹

The energy transition pathways in Africa have also proven to be weak due to the current geopolitical crisis. Over the last few years, numerous African nations have made a promise to grow renewable energy and

²⁶ Martin Henseler and Hélène Maisonnave, 'Low World Oil Prices: A Chance to Reform Fuel Subsidies and Promote Public Transport? A Case Study for South Africa' (2018) 108 *Transportation Research Part A: Policy and Practice* 45.

²⁷ Ibid 26; Frank R Baumgartner and Laura Chaqués Bonafont, 'Policymaking in Times of Crisis' (2026) 33 *Journal of European Public Policy* 1.

²⁸ Ibid 26.

²⁹ Ibid 7.

decrease the reliance on fossil energy. Nevertheless, due to the acuity of the current crisis, the new attention to the exploitation and consumption of fossil fuels has been focused. Oil and gas producers are being more and more pressurised to produce as much as they can because the world prices are high and import reliant nations are trying to find a way to ensure that they can have a steady supply of fossil fuel at any cost. According to the academic literature, the crisis usually leads to the reversal of policies, and the long-term paths toward reform are replaced with short-term stabilisation actions.³⁰

The net impact of the dynamics is an increasingly widening gap between the short-term crisis management and the long-term sustainable development objectives. Expansive use of fuel subsidies, combined with shrinking fiscal space and increased external borrowing pressures, is associated with reduced policy flexibility in achieving long-term development targets, including selected Sustainable Development Goals.³¹ These dynamics operate through fiscal reallocation effects, where short-term stabilisation measures constrain investment in infrastructure, social protection, and energy transition programmes, specifically the ones that concern affordable energy, climate action and poverty reduction. In addition to this, the asymmetry of benefits in the high energy prices will endanger the inequalities in the region and weaken the cohesion of the continent.

Security Spillovers and Geopolitical Reconfiguration

In addition to its economic and energy aspects, the 2026 US-Israel-Iran war is causing far-reaching security and geopolitical resonance in Africa. Such effects are not accidental or unheard of, but they can be traced back to the long-standing trends, according to which the conflicts in the Middle East have been spilling to African political and security arenas. The argument presented in this section is that the current crisis is hastening a process of geopolitical reconfiguration, which is placing the African states at increased risk, and at the same time, limiting their strategic autonomy.

³⁰ Ibid 27; B Wellington Garikai, 'Crisis Management and Its Legacy: Long-Term Effects of Overnight Economic Policies in Sub-Saharan Africa' (2024) 9 *SSRN Electronic Journal* 19.

³¹ Ibid 19; Ibid 12.

The second security spillover that is the most immediate is that sectarian and transnational religious mobilisation has reoccurred. The symbolic and ideological meaning of the struggle and especially how it was framed in the wider Sunni-Shia conflicts has echoed with certain strata of the African populations, especially in the countries where there existed a established Shiite group. In some countries like Nigeria, sectarian identities overlap with a set of political and socio-economic grievances, which has led to protests and increased tensions. Although these mobilisations can be localised, the danger that they escalate is high especially when the state reactions are harsh or seen to be partisan.

An even more pressing issue is that there is a risk of extremist groups using the crisis. Organizations like Boko Haram in West Africa and Al-Shabaab in East Africa have shown in the past the ability to ideologically identify themselves with larger global jihadist discourses. When there is an upsurge in geopolitical tension in the Middle East, such groups have usually been characterized by increased recruitment, propaganda and operations. This danger is not only a rhetorical one. The reduction in the ability of the state to maintain its capacity because of economic pressure coupled with the augmented supply of illegal weapons and larger resentment leads to the environment that promotes the growth of militant networks. This is consistent with prior studies that demonstrate that outside conflicts can lead to the regionalisation of insecurity especially in weak states.³²

A further complexity comes in the form of the presence of foreign military bases on the African soil. There is an increased vulnerability to the possible retaliation attacks by countries like Kenya and Djibouti where the United States military installations are located. These states are well placed on the frontline of a war that they are not the direct parties, but they cannot be completely neutral. This poses a host-state dilemma yet also heightens susceptibility to foreign threats. The efforts to stay neutral can lead to tension in diplomatic ties and lessen access to essential support. These dynamics combined are an indication of a slow reconfiguration of the security landscape in Africa.

³² Ibid 22.

Sustainable Development in Crisis: Reversal or Reset?

The spillover effects of the 2026 US-Israel-Iran war begs a major question to the development path of Africa. Are external shocks an unavoidable source of regressions or can they be the agents of structural change? This section contends that although the short-term effects of the crisis are mostly developmentally retrogressive, its consequences in the long run are dependent on policy decisions and institutional reactions. In this respect, the present moment poses a challenge as well as a turning point of a sustainable development in the continent.

The crisis has also greatly derailed the efforts made on major Sustainable Development Goals (SDGs) especially those on reduction of poverty (SDG 1), zero hunger (SDG 2), affordable and clean energy (SDG 7), and climate action (SDG 13). The rising price of fuel and inflationary pressures have increased the cost of living, causing the vulnerable to fall further into poverty. Food systems are especially affected. The higher prices of transport and inputs have led to a rise in food prices in the economies that depend on food imports. Such tensions could turn into humanitarian crises in regions like the Sahel and the Horn of Africa where the situation of food insecurity is already critical. The result is a reversal of development progress which have long-term effects on human capital, social stability and economic growth.

Policies targeted at stabilising short term economies can be at the cost of long-term development priorities. The reallocation of resources towards immediate crisis management may delay critical reforms in areas such as energy transition, industrialisation, and climate adaptation. These trade-offs highlight one of the main contradictions, the necessity of survival and the need to pursue sustainability. Unless carefully designed policies, the short-term reactions may trap states into developmental paths that are not the best.

Africa faces a similar situation in terms of the prospects of structural transformation. Already limited by infrastructural shortages and competition on a global scale, industrialisation efforts are further complicated by increasing input costs and broken supply chains. Small and

medium-sized enterprises (SMEs), which are very important in job creation, are especially susceptible to such shocks. Concurrently, the uncertainty in the global economy decreases both the demand to export and access external financing, which narrows growth opportunities further.

The existence of periods of disruption can help to establish political and economic environments that are open to change, especially when the current systems are no longer sustainable. High prices of fossil fuels could encourage investment in renewable energy and energy efficiency in the energy sector, among others. Equally, the global supply chain disruption would encourage the creation of regional value chains and intra-African trade, which are in line with the goals of the African Continental Free Trade Area.

The African Union and the Limits of Multilateral Response

The role of regional and continental institutions in dealing with external shocks has once again been in the spotlight with the implications of the 2026 US war with Israel and Iran generated across the continent. The most notable of them is the African Union (AU) which has attempted to express an African voice over the crisis. Nonetheless, the ability of the AU to mediate, coordinate and curb the effects of such global upheavals is still limited. This section posits that the crisis at hand reveals vulnerabilities of African multilateralism in both structure and operations, and the necessity to have more effective regional governance systems.

Following its core values, the AU has demanded the de-escalation, international law and peaceful resolution of the conflict. Such utterances echo the beliefs in multilateral diplomacy and the desire by the organisation to act as a single African voice in international matters. But these interventions, though normatively important, have not had a huge impact on the course of the conflict. This highlights larger issue with the AU. The distance between normative power and material ability. The lack of economic, military or geopolitical strength to influence the result of conflicts in far-off locations means that the role of the AU is mostly limited to advocacy and not intervention.

One of the major limitations to the success of the AU is the range of interests of the member states. The crisis does not equally impact African countries, or have the same strategic priorities. The oil-exporting countries, such as those in the Middle East, can be interested in the stability of the markets and maximisation of revenue, whereas the economies that are reliant on imports are concentrated on the price regulation and the stability of supplies. Likewise, the variance in foreign policy orientation especially with respect to relationship with the world powers, makes it hard to create a unified continental response. Certain states have strong security connections with the United States, whereas others have either less aligned or more diversified foreign policies. Such differences inhibit the co-ordination of policy responses by the AU, diminishing its overall crisis response capability.

The financial and institutional resources available to the functioning of the AU are also a limiting factor to its operations. External partners significantly contribute to its budget. Hence, the question of independence and sustainability is raised due to this reliance. Besides affecting the ability of the organisation to respond to crises, this dependence also affects the ability to implement long-term strategic plans. Moreover, the disruptive impact on efficiency is from the institutional fragmentation of the AU system, which is characterized by overlapping mandates and coordination problems among the different organs of the system.

Besides the AU, there exist several other Regional Economic Communities in Africa such as ECOWAS, SADC, and IGAD. Generally, these bodies play important roles in economic integration and conflict management. However, their actions towards the present crisis have mostly been uncoordinated and disorganised. The miscommunication between the continental and regional institutions is only one example of the broader governance problem in Africa, such as the overlap in jurisdictions and non-harmonized policy frameworks.

African Renaissance-Based Resilience Model

Based on the wider intellectual tradition of the African Renaissance, the resilience framework proposed in this study draws inspiration from the

concept of resilience. The idea of the African Renaissance was soared to the fore in the speeches and political thinking of Thabo Mbeki and has been feeding the development initiatives of the African continent including the African Union's Agenda 2063. The African Renaissance is fundamentally about agency, institutional transformation, integration, sustainable development and self-reliance at the pan-African level in the face of current challenges. For this study, the concept of an African Renaissance model of resilience means a governance system that aims at not only absorbing external shocks but also transforming the structures in a crisis. The proposed model is different from the traditional resilience approaches that are mostly recovery and adaptation centered, but focuses on institutional strengthening, regional cooperation and strategic developmental planning in terms of transformative resilience. The model is made up of four interdependent components.

First, anticipatory governance boosts early-warning capabilities, strategic foresight and long-term planning capabilities to enhance preparedness for external shocks. Secondly, regional integration creates joint resilience in the face of crisis and adversity by improving intra-regional trade, regional energy markets, joint mechanisms for crisis responses, and the effective implementation of the African Continental Free Trade Area. Third, energy sovereignty encourages diversification of sources and investment in renewable energy technologies, and a lessening of reliance on foreign energy supply chains. The fourth dimension of adaptive and polycentric governance is related to institutional changes that enhance accountability, policy coordination, fiscal robustness and implementation effectiveness.

These pillars will help African countries shift from crisis management to development, and turn external vulnerabilities into opportunities for sustainable growth. The anticipated outcomes comprise increased economic stability, more energy security, more regional cooperation, more climate resilience and more sustainable developmental paths. The African Renaissance-based resilience model thus expands resilience thinking in the following ways: African agency, regional solidarity and structural transformation are at the heart of crisis governance.

Towards a Resilience-Centred Policy Framework

This section promotes the resilience-based policy framework that goes beyond crisis management that is reactive to adaptive and transformative governance. The main weakness of the existing policy strategies in most African states is that they are reactive. Governments are more likely to react to the crises when they have become a reality, with the situation being usually fraught with fiscal and political pressure. However, a resilience-based framework, in its turn, focuses on the anticipatory governance, risk-identification skills, shock preparation, and the use of preventive measures. This necessitates an investment in early warning systems, data-driven policy analysis and scenario planning. Enhancing the national planning institutions and risk assessment as a component of development strategies can considerably contribute to preparedness. Notably, even when there are no pressing crises, anticipatory governance also requires political commitment to long-term planning.

The need to mitigate the effects of global energy shocks requires a complete redesign of the energy systems of Africa. Diversification of energy is essential in boosting resilience. This involves increasing renewable power, investing in natural gas as a transitional fuel and decreasing reliance on imported refined petroleum products. Greater regional energy market integration could offer further buffers to external shocks at the regional level. Power pooling and cross-border energy infrastructure are some of the initiatives that allow countries to share resources and stabilise supply. Such systems are in need of reinforcement through concerted policy structures and long-term investment, which must be backed by both governments nationally and regionally.

One of the main avenues where the external shocks destabilise African economies is through fiscal vulnerability. To develop resilience in this sector, the domestic mobilisation of resources, better fiscal management of funds and less reliance on unstable foreign funding should be facilitated. To cope with revenue volatility, stabilisation funds, especially in resource-rich countries, can be established to make sure that windfalls are spent strategically, and not spent on pro-cyclical spending. Also, improving the domestic financial markets can decrease the exposure to foreign capital

movements and promote economic stability. On the continental level, it is possible to have increased financial cooperation such as crisis financing and risk-sharing between African states.

The impact of the global trade routes on the business world underscores the need to create resilient and self-reliant supply chains. Enhancing intra-African trade, especially within the context of the African Continental Free Trade Area, has a great potential in this respect. African nations can lessen the effects of disruptions in the global market by cutting down on the reliance on foreign markets and even the supply sources. To realise this potential, investments in transport infrastructure, logistics systems, and digital trade platforms are required.

Finally, the quality of institutions is the key to the success of any resilience strategy. To enhance governance systems, it is essential to implement reforms that will enhance transparency, accountability, and coordination of policies. Institutional effectiveness can be improved by using innovative strategies. Meanwhile, anti-corruption campaigns and the promotion of the rule of law are crucial to restore the trust of the population and make the policy intervention credible.

The framework that is suggested here changes the perspective on crisis management to system transformation. Instead of perceiving outside shocks as a threat, it frames them as the chance to deal with structural failures and create more resilient, more adaptive, and more sustainable governance systems.

6. CONCLUSION

The conflict between the US and Israel and Iran in 2026 highlights the structural vulnerability of the African states to external geopolitical shocks, but also exposes the instrumental role of institutional resilience in developmental outcomes. This article has revealed that shocks do not necessarily devastate or transform, but the impact of shocks is mediated by governance regimes, policy options, and structural circumstances. The article has presented the possibilities of crisis to bring about structural

change by developing a resilience-focused framework that is in line with the African Renaissance. The African Renaissance-based resilience model proposed in this study provides a framework through which African states can strengthen anticipatory governance, deepen regional integration, diversify energy systems, and build adaptive and polycentric governance capable of transforming external shocks into opportunities for sustainable development. Nonetheless, such a possibility depends on the intentional policy intervention, institutional change, and the improvement of the regional coordination. The dilemma of African states is ultimately not that they should close themselves off to a fast-growing and unstable global system, but that they should design adaptive, proactive and strategically focused systems of governance that can work around and take advantage of external shocks. In this respect, resilience is not only a defensive ability; it is the cornerstone of a sustainable and independent growth in the twenty-first century.