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Green Energy Resources and Foreign Direct Investment Inflows in Africa: Evidence from New Datasets

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Foreign Direct Investment, Green Energy, Traditional Energy, Panel ARDL, Africa

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This study investigates the relationship between foreign direct investment and green energy resources in Africa, using a newly disaggregated panel datasevt that span 2000 to 2022. The framework combines both static and dynamic estimation techniques. Preliminary estimations are obtained through pooled Ordinary Least Squares, fixed-effects and random-effects models to capture baseline relationships. Recognizing the temporal and structural characteristics of the data, a Panel Autoregressive Distributed Lag approach is further applied to assess long-run and short-run effects. Findings from the static models reveal a strong and statistically significant positive relationship between overall energy capacity and foreign direct investment inflows. This is to suggest that energy development enhances investment attractiveness by improving infrastructure reliability, production efficiency and market stability. The dynamic results further show that per capita income serves as a consistent long-run driver of foreign direct investment, while the effects of energy differ across type and time horizon. Specifically, non-renewable energy installations remain key short- and long-term catalysts for investment, reflecting their dominance in Africa's current energy mix and industrial dependency. In contrast, renewable energy generation and installation display transitional effects, initially negative due to technological and institutional barriers, but progressively positive as policy frameworks, innovation and market maturity evolve. The study recommends a balanced approach to energy transition while offering the need to strengthen institutional and regulatory frameworks to ensure policy stability and enforcement of property rights.

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Conflict of Interest

Yinka Sabuur Hammed declares that there is no conflict of interest regarding the publication of this paper.

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