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Macroeconomic Factors of foreign direct investment in Mauritania: empirical study during the period (1991-2020)

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Abstract

This study aims to determine the impact of market size, infrastructure, economic openness, inflation rate, labor force and financial development on foreign direct investment flows into Mauritania during the period (1991-2020) using Autoregressive Distributed Lags model (ARDL) through the correlation, stationarity and co-integration tests. The results of the study concluded that foreign direct investment inflows lags, market size, infrastructure, economic openness, inflation rate and labor force plied an important role in influencing on the incoming foreign direct investment flows during this period. While financial development did not play a major role in determining these flows.

Keywords : Foreign Direct Investment (FDI), Market Size, Economic Openness, Infrastructure, Autoregressive Distributed Lag (ARDL) Model
Classification JEL : B22 C01 C32
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1. Introduction

Neoclassical theoretical approaches are considered the first theories that attempted to provide an explanation of Factors determining foreign direct investment through a set of theories that differed in terms of hypotheses and controls. In general, it was characterized by an attempt to identify variables that could explain the creation and movement of foreign direct investment flows. In this context, many factors determining foreign direct investment can be distinguished, including, for example: Maximizing return (Ohlin 1933), minimizing risk (Versen 1935), sales volume (Schneider and Frey 1985), retained earnings (Barlaw and Wender 1955), depreciation of the host country's currency compared to the exporting country (Aliber 1970 and 1971), and the ability to exploit Resources available in the host country (Kojima 1978, and 1982), and reducing psychological distance (Johansson and Widersheim-Paul 1975).

While modern theories have focused on, the special advantage of the foreign investor (Hymer 1960) in light of the imperfection of the host country's market (KindleBerger 1969) constitutes the basic building block for the flow of foreign direct investment, taking into account the cost of the transition (Peter J Buckley and M Casson, 2003).

Other theories have been explained the phenomenon of foreign direct investment by a reliance on the political and economic situation in the host country as a primary determinant of foreign direct investment flows (Dunning, J.H. 1988), while others considered it a stage of the life cycle of the final product (Raymond Vernon, 1966,) or a means of responding to the attack of competitors (Knickerbocker 1973). The 1980s and 1990s witnessed an important turning point in the field of academic research related to international business through an attempt to structure a more integrated approach than previous approaches by relying on some of the aforementioned theories through OLI paradigm (Dunning, J.H. 2000) in order to explain the path of development of foreign direct investment (John H. Dunning and Rajneesh Narula 1996).

Many contemporary reports have shown that despite the high share of developing countries of foreign direct investment in recent years, its distribution was not equal in 2019, according to the UNCTAD report in 2020, as these flows in developed countries amounted to $800 billion and in Southeast Asian countries and China and India amounted to 474 billion dollars, and in the countries of Latin America and the Caribbean region 164 billion dollars, while in African countries it did not exceed 45 billion dollars, and this means that many developing countries, especially the least developed ones, are still suffering from a low flow of foreign direct investment Although it desperately needed. This raises the question about the reasons for the failure of these countries to attract more foreign investments to them at a time when international competition is fierce to attract them? Many applied studies in this field focused on the factors of foreign direct investment, as they reached mixed results in terms of the quality and significance of the factors and the nature of their impact on foreign direct investment flows, which suggests that the differences in the results may be related to a large extent to the country under study.

Foreign direct investment inflows to Mauritania have witnessed a development since the beginning of the millennium compared to previous periods, as it moved from 146 million US dollars in 2000 to 978 million US dollars in 2020, according to the UNCTAD 2021 report. However, this development is experiencing a kind of fluctuation in light of the lack of Equal distribution between sectors, as it is noticed that it is concentrated in the oil and mineral sectors only, at a rate of 98% (the Central Bank of Mauritania report for the year 2020). This may be due to weak infrastructure, governance …….

In order to identify these imbalances and know their causes, the subject of this paper, which is represented in the macroeconomic factors of foreign direct investment in Mauritania

during the period (1991-2020), is summarized and divided through the following axes: the second axis, previous literature, the third axis, Database and methodology specifications, the fourth axis is the analysis of the results, and the fifth axis is the conclusion.

2. Literary Review

Many researchers and scholars have addressed the issue of factors affecting foreign direct investment through a number of studies that can be classified according to the methods used into:

2.1. Studies that were used Ordinary Least Square (OLS) Method

study of ALDALOU and SARSOUR 2022 target the determinants of FDI inwards into Turkey during the period (2009-2019) using time series related to FDI inflows, gross domestic product (GDP), trade openness, interest rate, exchange rate, current account deficit, cost per hour of work and inflation rate.
The results of ordinary least square estimation showed that the coefficients of market size and trade openness are significant and have positive effects on FDI in Turkey, and that the coefficients of current account deficit and exchange rate are significant and have negative effects on this inflows.
Study of NAZEEF 2021 addressed the determinants of FDI inflows into Afghanistan during the period (2000-2020) using time series related to FDI inflows, gross domestic product ,inflation rate, exchange rate , trade openness and tourism .
The results of ordinary least squares estimation showed that the coefficients of gross domestic product, inflation rate and trade openness are significant and have positive effects on FDI inflows and that the coefficients of exchange rate is significant and has negative effect.

2.2. Studies that were used Autoregressive Distributed Lags (ARDL) Model

Study of Alessandro Gabrielle and al (2020) examined the effects of macroeconomic indicators and spending on infrastructure on FDI inflows during the period (1981-2018) in Indonesia, using the time series related to FDI inflows, gross domestic product, inflation rate, debt as percentage of GDP and spending on infrastructure based on Autoregressive Distributed Lags (ARDL) model.
The results showed that the coefficients of inflation rate and interest rate are significant and have positive effects on FDI inflows and that the coefficients of debt and exchange rate are significant and have negative effects on FDI inflows into Indonesia.
Study of Shahbaz, Muhammad and al (2019) sheds light on the effect of transportation and education infrastructure and financial development on FDI inflows into France during the period (1965-2017).
The results of N-ARDL model showed the existence of co-integration among the variables and that education and transportation infrastructure increase FDI while financial development decreases it in the presence two-way relationship between electricity consumption (economic growth) and FDI.
study of Rathnayaka Mudiyanselage, and al 2021 focused on causality between FDI and trade openness in Romania during the period (1997-2019), using the quarterly time series related to FDI inflows, trade openness, gross domestic product, inflation rate, real exchange rate and education.
The results of ARDL model showed that the coefficient of trade openness is significant and has negative effect on FDI inflows and the coefficient of education is significant and has positive effect in long-run.

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While these results showed that the coefficients of GDP, education and exchange rate at first lag are significant and have positive effects on FDI inflows and the coefficients of exchange rate, trade openness, GDP at first lag and FDI at first lag are significant and have negative effects in short-run.
This study of e Ali and al (2021) was exposed to determinants of FDI inflows into Pakistan during the period (1984-2019) using annual time series related to FDI inflows, market size, trade openness and interest rate.
The results of ARDL model showed that the coefficient of market size is significant and has positive effect on FDI inflows and the coefficient of interest rate at second lag is significant and has negative effect.
In the long-run these results showed that the coefficient of GDP is significant and has positive effect on FDI inflows and that the coefficient of interest rate is significant and has negative effect.
In the short-run these results showed that the coefficients of GDP and interest rate at first lag are significant and have positive effects on FDI inflows
While the coefficient of interest rate is significant and has negative effect.

2.3. Studies that were used Vector Error Correction (VEC) Model

study of Asada, 2021 covered the determinants of FDI inflows into Myanmar during the period (2000-2018) using annual time series related to FDI inflows, good governance, human capital development, economic sanctions as a dummy variable.
The results of Vector Error Correction (VEC) model sowed in long-run that the coefficients of good governance and human capital development are significant and have negative effects on FDI inflows.
While in short-run this results showed that the coefficients of FDI inflows at second lag good governance at first lag and human capital development at first and second lag are significant and have positive effects on FDI inflows.
Study of Michael Asiamah and al, 2018 attempted to analyze the determinants of FDI stocks inflows into Ghana during the period (1990-2015) using annual time series related to inflation rate, interest rate, exchange rate, gross domestic product, electricity production and using the phone.
The results of Vector Error Correction model showed that the coefficients of FDI stocks inflows at fifth lag, interest rate at fifth lag and electricity production at fourth lag are significant and have positive effects on FDI stocks inflows into Ghana.
While these results showed that the coefficients of inflation rate at first lag, exchange rate at third lag, GDP at first lag and using phone at second lag are significant and have negative effects on FDI stocks inflows.
study of Eduarda Martins and al ,2017 targeted the determinants of FDI inflows to Brazil during the period (2001-2013) using the exchange rate, inflation, GDP, productivity, and wages. The results of the error correction model (VEC) showed that the coefficients of all variables are significant except for wages and have positive effects on FDI inflows to Brazil except for the inflation rate which has a negative effect.
Note that the different results of previous empirical studies were characterized by indecisiveness in determining the microeconomic factors affecting foreign direct investment flows.
On the basis of the theoretical approach and the results of previous experimental studies, the following hypotheses can be formulated:
The First hypotheses: There is a significant effect of market size and inflation on inward investment flows to Mauritania.

The Second hypotheses: There is a significant effect of infrastructure and economic openness on inward investment flows to Mauritania.
The Third hypotheses: There is a significant effect of the labor force and financial development on inward investment flows to Mauritania.

3. Research methodology

For Determining the validity of the aforementioned hypotheses requires defining the variables used and their level of stationarity to be taken into account in order to prevent false results from being obtained in the Model followed. This will be discussed within the following:

3.1 Database:

Annual data were selected based on quality and availability criteria. In this context, data from the World Bank and the National office of Statistics were used for the period (1991-2020), as shown in the following table:

Table 1. Database and Its Resources

Variable	Proxy	Code	Resource
Foreign Direct Investment	Foreign direct investment inflows as a percentage of the gross domestic product	FDI	World bank database (1991-2020)
Market Size	growth rate	CR	World bank database (1991-2020)
Infrastructure	public spending as a percentage of the gross domestic product	DP	World bank database (1991-2020)
Economic openness	Total exports and imports as a percentage of the gross domestic product	OP	World bank database (1991-2020)
Labor force	Enrollment rate in secondary education	LF	national statistics office database (1991-2020)
Financial development	money supply as a percentage of the gross domestic product	M2	World bank database (1991-2020)

Source: World bank and national statistics office databases (1991-2020)

3.2. model specifications

in this study, the methodology of Autoregressive Distributed Lags (ARDL) developed by PESARAN in 2001 was relied upon after fulfilling its conditions to interpret the static and dynamic relationship between the study variables in order to determine the most influential macroeconomic factors on foreign direct investment inflows to Mauritania during the period (1991-2020). In this context, the following model will be evaluated:

$$\boldsymbol{ARDL(P, q_1, q_2, q_3, q_4, q_5, q_6) : FDI_t = \propto_0 + \sum_{j=1}^{p} \lambda_j FDI_{t-j} + \sum_{i=0}^{q_2} \beta_{2_i} CR_{t-i} + \sum_{i=0}^{q_3} \beta_{3_i} DP_{t-i} + \sum_{i=0}^{q_4} \beta_{4_i} OP_{t-i} + \sum_{i=0}^{q_5} \beta_{5_i} INF_{t-i} + \sum_{i=0}^{q_6} \beta_{6_i} LF_{t-i} + \sum_{i=0}^{q_7} \beta_{7_i} M2_{t-i} + E_t .}$$

where P is the optimal value of the dependent variable Lags (FDI), while (q_1 , q_2, q_3, q_4, q_5, q_6) respectively represents the optimal values of the independent variables Lags (CR , DP, OP, INF, LF, M2). On the other hand, ($\propto_0$) represents the constant and (E_t) represents the error term.

4. Results and discussion

The ARDL Model calls for analyzing the results of several tests, which will be explained below:

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4.1. Statistic descriptive, correlation, Stationarity and cointegration tests

To estimate the ARDL model, it is necessary to make sure that a number of conditions are met by performing the following tests:

Table 2. statistic descriptive

	FDI	DP	OP	INF	LF	M2
Mean	5.436103	24.75358	76.00224	5.302714	27.30109	24.73183
Median	3.866886	24.84542	81.64936	4.698101	25.70465	25.73000
Maximum	27.65204	38.22335	110.7881	12.12565	49.81000	35.42909
Minimum	-11.19897	14.44496	42.32792	1.486007	14.09297	14.17000
Std. Dev.	7.529122	5.689282	18.64028	2.666505	9.925347	5.764448
Skewness	0.940911	-0.010359	-0.180612	0.852797	0.485141	-0.104841
Kurtosis	4.579151	2.774858	1.881534	3.076004	2.230903	2.032800
Jarque-Bera	7.543714	0.063898	1.726812	3.643534	1.916196	1.224304
Probability	0.023009	0.968556	0.421723	0.161740	0.383622	0.542183
Sum	163.0831	742.6074	2280.067	159.0814	819.0327	741.9548
Sum Sq. Dev.	1643.943	938.6700	10076.34	206.1972	2856.863	963.6369
Observations	30	30	30	30	30	30

Source: Eviews 12 results.

The table above shows the descriptive behavior of the various variables used in the study, which are mainly represented by the measures of central tendency and dispersion, in addition to the coefficients of Skewness and Kurtosis.

Table 3. correlation matrix

	FDI	CR	DP	OP	INF	LF	M2
FDI	**1**						
CR	**0.18**	**1**					
DP	**0.45**	**0.19**	**1**				
OP	**0.49**	**0.18**	**0.28**	**1**			
INF	**0.53**	**0.33**	**0.06**	**0.18**	**1**		
LF	**0.16**	**0.06**	**0.01**	**-0.08**	**-0.18**	**1**	
M2	**0.19**	**-0.05**	**0.33**	**-0.14**	**0.10**	**0.20**	**1**

Source: Eviews 12 results.

It is clear from the previous table that the correlation coefficients did not exceed,0.53 which indicates that there is no strong correlation between the variables used.

Table 4. Stationarity testes

Variable	Probability at level I(0)			Probability at first difference I(1)			Stationarity level
	I	IT	N	I	IT	N	
Foreign Direct Investment	**0.0097**	**0.0220**	**0.0091**	-	-	-	**I(0)**
Market Size	**0.0008**	**0.0020**	**0.0003**	-	-	-	**I(0)**
Infrastructure	**0.5861**	**0.7420**	**0.2042**	**0.0000**	**0.0016**	**0.0006**	**I(1)**
Economic openess	**0.5517**	**0.4863**	**0.7740**	**0.0010**	**0.0050**	**0.0001**	**I(1)**
Inflation Rate	**0.0004**	**0.0396**	**0.0083**	-	-	-	**I(0)**
Iabor force	**0.0294**	**0.3006**	**0.2314**	**0.0001**	**0.0030**	**0.0157**	**I(1)**
Financial development	**0.0005**	**0.0089**	**0.0255**				**I(0)**

Source: Eviews 12 results.

The results of the previous table indicate that the variables (INF, M2, FDI, CR,) are static at level I(0), while the remaining variables (DP, OP, LF) are static at the first difference, I(1), which allows the use of an autoregressive distributed Lags model (ARDL)

4.2. Model Estimation and quality

After ensuring that the conditions for applying the model are met, it must be evaluated to determine the nature of the relationship between the variables and the extent of their credibility through:

Model Estimation

It is clear from the table Below that Foreign direct investment at the second lag has a negative and significant impact on foreign direct investment flows to Mauritania Op (sharofiddin Ashurov and al 2020) op (samridi Bimal 2017) , size market has a negative and significant impact on foreign direct investment inflows into Mauritania. This result agreed with what Alessandro and al reached in 2020 and differed with what Mousavian and al reached in 2021**,** Infrastructure has a significant positive impact on foreign direct investment inflows to Mauritania. This result agreed with what Saturwa and Ahmad reached in 2021 and differed with what Setyadharma and Fadhilah reached in 2021, Economic openness has a positive and significant impact on foreign direct investment inflows to Mauritania. This result agreed with what AL-MATARI and al reached in 2021 and differed with what Ghazi reached in 2021, Inflation and Inflation at the first lag have a positive and significant impact on foreign direct investment inflows to Mauritania. This result agreed with what Fetahi-Vehapi reached in 2021 and differed with what Nino and Irakli reached in 2020, and The labor force has a positive and significant impact on foreign direct investment inflows to Mauritania. This result agreed with what Cieślik reached in 2019 and differed with what Fania and al reached in 2020.

Table 5. Model Estimation

Selected Model: ARDL(2, 1, 0, 0, 1, 0, 1)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	-0.015475	0.164758	-0.093926	0.9263
FDI(-2)	-0.546214	0.153592	-3.556279	0.0026
CR	-0.552598	0.233940	-2.362135	0.0312
CR(-1)	0.405272	0.211108	1.919736	0.0729
DP	0.887223	0.225025	3.942771	0.0012
OP	0.182754	0.049585	3.685700	0.0020
INFT	1.629986	0.408586	3.989338	0.0011
INFT(-1)	1.235798	0.489413	2.525064	0.0225
LFT	1.118135	0.242403	4.612701	0.0003
M2T	-0.457728	0.427275	-1.071273	0.2999
M2T(-1)	0.414852	0.363345	1.141758	0.2704
C	-27.33005	6.471723	-4.222995	0.0006

Source: Eviews 12 results

Model quality

Table 6. Model quality

R-squared	0.857182	Mean dependent var	5.808139
Adjusted R-squared	0.758994	S.D. dependent var	7.663721
S.E. of regression	3.762298	Akaike info criterion	5.785464
Sum squared resid	226.4782	Schwarz criterion	6.356409
Log likelihood	-68.99650	Hannan-Quinn criter.	5.960008
F-statistic	8.730056	Durbin-Watson stat	2.049911
Prob(F-statistic)	0.000076		

Source: Eviews 12 results

It is noted from the table above that the R-squared and the Adjusted R-squared reached 0.857182 and 0.758994, respectively, and these values are close to one, while the probability value of Fisher's statistic reached 0.000076, which indicates the explanatory

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power of the model, and its significance at the level of 1%. On the other hand, the value of the Durbin Watson (DW) statistic was about 2.049, which indicates that there is no autocorrelation between errors

4.3. Diagnostic Coefficients

Diagnostic Coefficients allows determining the time dimension of the relationship and ensuring its equilibrium, in addition to the existence of a mechanism for error correction in the model, in the following manner:

Table 7. ARDL Long Run Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	-0.094338	0.221054	-0.426763	0.6752
DP	0.568118	0.140249	4.050786	0.0009
OP	0.117023	0.028854	4.055777	0.0009
INFT	1.835054	0.369470	4.966723	0.0001
LFT	0.715978	0.169385	4.226935	0.0006
M2T	-0.027454	0.237447	-0.115624	0.9094
C	-17.50031	3.756048	-4.659236	0.0003

Source: Eviews 12 results.

It is clear from the previous table in the long run that Infrastructure has a significant positive impact on foreign direct investment inflows to Mauritania. This result agreed with what semra reached in 2019, Economic openness has a positive and significant impact on foreign direct investment inflows to Mauritania. This result differed with what Sanderson and Julius reached in 2021, Inflation has a positive and significant impact on foreign direct investment inflows to Mauritania. This result agreed with what Sanderson and Julius reached in 2021 and labor force has a positive and significant impact on foreign direct investment inflows to Mauritania. This result agreed with what Haq and al reached in 2020.

Table 8. Bounds Test

Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	11.71071	10%	1.99	2.94
K	6	5%	2.27	3.28
		2.5%	2.55	3.61
		1%	2.88	3.99

Source: Eviews 12 results.

As for the Fisher Bounds Test, the results of above Table. showed support for rejecting the hypothesis of the absence of any relationship levels because the calculated value of F reached 11.71071, which is more than the upper limit of the critical value, which reached 3.99 at a significant level of 1%, which indicates the presence of an equilibrium relationship between the studied factors and incoming foreign direct investment flows to Mauritania during the period (1991-2020)

Table 9. Short Run relationship and ECM ECM Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FDI(-1))	0.546214	0.112120	4.871692	0.0002
D(CR)	-0.552598	0.116669	-4.736468	0.0002
D(INFT)	1.629986	0.248747	6.552791	0.0000
D(M2T)	-0.457728	0.225400	-2.030732	0.0592
CointEq(-1)*	-1.561689	0.134572	-11.60488	0.0000

Source: Eviews 12 results.

It is clear from the previous table in the short run that Foreign direct investment at the first lag has a positive and significant impact on foreign direct investment flows to Mauritania.

This result differed with what Rathnayaka and al reached in 2021, and agreed with what Sanderson and Julius reached in 2021, The size of the market has a negative and significant impact on foreign direct investment inflows into Mauritania. This result differed with what Rathnayaka and al reached in 2021, and agreed with what Sanderson and Julius reached in 2021 and Inflation has a positive and significant impact on foreign direct investment inflows to Mauritania This result agreed with what Sanderson and Julius reached in 2021.

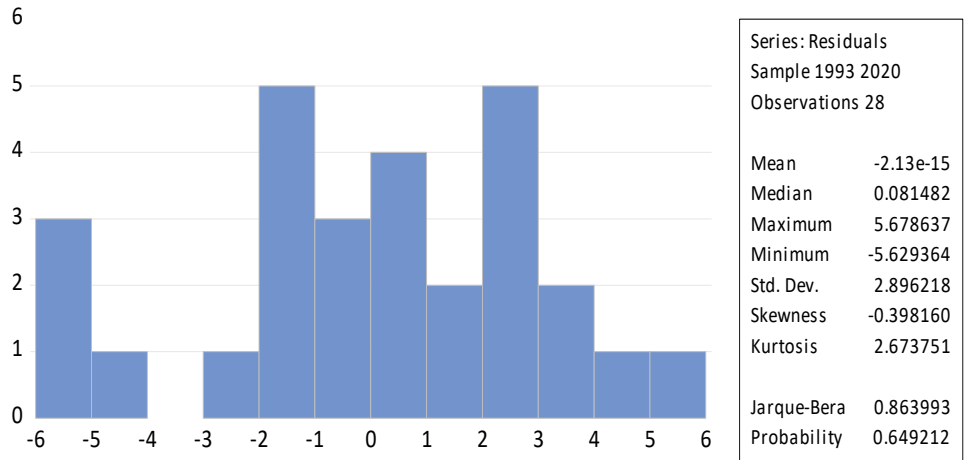
Error correction mechanism: It is noted from the above table that the value of the error correction term coefficient appeared negative (λ = -1.561689) and significant at 1%, which suggests the existence of a long-term equilibrium relationship, and a mechanism for error correction in the model because this coefficient measures the speed of returning to the setting Equilibrium in the long term, and in this context it can be said that 156.16% of the deviations and differences in the balance of foreign direct investment inflows to Mauritania in a previous year are corrected in the current year.

4.4. Diagnostic residuals

Diagnostic residuals make it possible to verify that they meet the required conditions for the model, according to the following:

4.4.1. Normality Test

Fig.1. Normality Test



Source: Eviews 12 results.

It is clear from the above figure that the Jarque-Bera probability value is equal to 0.64, which is greater than 5%, which indicates the acceptance of the null hypothesis H0 which states that the residuals are normally distributed.

4.4.2. Serial Correlation LM Test

Table 10. Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	**1.232162**	**Prob. F(2,14)**	**0.3214**
Obs*R-squared	**4.190943**	**Prob. Chi-Square(2)**	**0.1230**

Source: Eviews 12 results.

It is clear from the above table that the probability value is 0.3214 = Prob. F (2,14), which is greater than 5%, which indicates the acceptance of the null hypothesis that there is no serial autocorrelation for the residuals.

4.4.3. Heteroskedasticity Test

It is clear from the below table that the probability value is: Prob. F (1,25) =0.9944, and

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this value is greater than 5%, and from it the hypothesis of homogeneity of the variance of error terms is accepted.

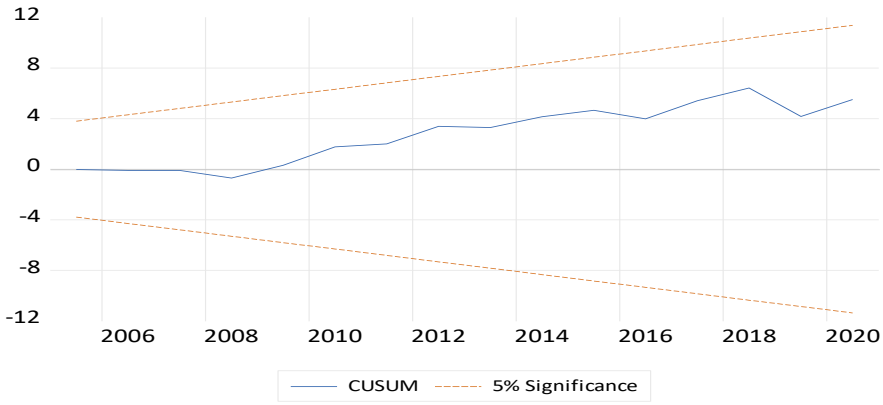
Table 11. Heteroskedasticity Test: ARCH

F-statistic	0.001370	Prob. F(1,25)	0.9708
Obs*R-squared	0.001479	Prob. Chi-Square(1)	0.9693

Source: Eviews 12 results.

4.5. Diagnostic stability

Fig.2. Diagnostic stability



Source: Eviews 12 results.

It is clear from the above figure that the graphic curve of the tests of the cumulative sum of the residuals (the blue curve) is located within the limits of the critical region at a significant level of 5%, which means that all the variables used in the model are stable during the studied period and that the coefficients in the short and long term are consistent with each other.

5. Conclusion

This study aimed to determine the impact of market size, infrastructure, economic openness, labor force, and financial development on inward foreign direct investment flows into Mauritania during the period (1991-2020) using an autoregressive with distributed Lags model (ARDL), passing through correlation, stationary, Co-integration tests. and after fulfilling the conditions related to the application and reliability of the model. The results found that foreign direct investment lags, market size, infrastructure, economic openness, inflation rate, and labor force played an important role in determining inward foreign direct investment flows to Mauritania during this period, while financial development did not play a major role in determining these flows.

As for the estimation of the model, the results reached that Foreign direct investment at the second lag and market size has a significant and negative impact on inward foreign direct investment flows into Mauritania, which proves the validity of the first hypothesis.

As for the variables: infrastructure, economic openness, inflation, and labor force had a significant and positive impact on foreign direct investment inflows coming into Mauritania, which proves the validity of the first, second and third hypotheses. As for financial development, the results related to its impact were Contrary to expectations, which denies the validity of the third hypothesis.

As for the diagnostic Coefficients, the results showed that the infrastructure, economic openness, inflation rate and labor force had a positive and significant effect on foreign

direct investment inflows to Mauritania, which confirms the validity of hypotheses: the first, second and third in the long term. In the short term, The results concluded that foreign direct investment at the first lag and the inflation rate had a positive effect on foreign direct investment inflows to Mauritania, which confirms the validity of the first hypothesis, while the market size had a negative effect, which confirms the validity of the first hypothesis.

The negative impact of the market size and the positive impact of the inflation rate on foreign investment inflows to Mauritania during the period (1991-2020) This may be due to the fact that foreign direct investment flows are primarily concentrated in the extractive sector for export purposes, which means that they do not target final domestic consumption, which means that they may not be positively correlated with market size in Mauritania. On the other hand, it is noticeable that this type of investment is abundant in developing countries that lack economic stability, which explains the positive relationship with the inflation rate. In this context, this type of investment requires a workforce with a medium level of training and many roads and ports in order to facilitate the transport of imported machinery and equipment used in the production process and the export of raw materials. This explains the positive relationship between the workforce, trade openness, and infrastructure with this type of investment. It is mentioned that the lack of sectoral decomposition of FDI limits the ability to draw precise conclusions on the effectiveness of economic policies.

Finally, it can be said that the Mauritanian authorities must make more efforts, which include: Involving the private sector, both foreign and local, in developing education and training plans and programs in order to Provide qualified human capital that matches the available opportunities, providing advanced physical and digital infrastructure to reduce the cost of investments in the industrial sector and attract them, Working to establish a financial market and develop the banking system to obtain the capital, loans and liquidity necessary for the investment process, Working to expand the market size by increasing economic growth to attract foreign direct investment targeting final consumption and Working to reduce the inflation rate in order to maintain the general price level in order to attract and stabilize foreign direct investment.

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