

# **Economic Determinants of Project Abandonment in the Ghanaian Economy: An Analysis of Influencing Factors**

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## **Abstract**

*This study explores the economic factors that contribute to the widespread abandonment of development projects in Ghana, particularly within the construction and public infrastructure sectors. Through the use of structured questionnaires administered to industry professionals and project stakeholders, the research identifies inflation, unstable government policies, currency fluctuations, and inadequate project funding as primary drivers of project abandonment. The findings also highlight the role of weak public financial management, lack of continuity in government, poor communication, and political interference—especially in the appointment of inexperienced project personnel—as significant contributors to project discontinuity. The analysis reveals that such economic challenges lead to stalled or incomplete projects, resulting in wasted public resources, reduced investor confidence, and delays in socio-economic development. The study concludes by emphasising the need for better project planning, sustained funding mechanisms, transparent procurement processes, and political will to ensure project continuity and completion. These findings offer valuable insights for policymakers, practitioners, and development partners aiming to address inefficiencies in project delivery across Ghana.*

**Keywords:** *Project Abandonment, Economic Factors, Ghanaian Economy, Infrastructure Projects, Public Financial Management, Inflation, Government Policy, Project Sustainability, Construction Sector, Development Planning*

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## **1.0 INTRODUCTION**

In developing economies like Ghana, infrastructure- and capital-intensive development projects play a crucial role in driving economic growth, creating jobs, and reducing poverty. However, one of the persistent challenges undermining sustainable development efforts is the phenomenon of project abandonment. Across the Ghanaian economy, numerous public and private sector projects—including roads, schools, hospitals, housing, and industrial facilities—remain incomplete, leading to wasted resources, sunk costs, and missed socio-economic opportunities (Asare & Prempeh, 2017).

Project abandonment refers to the discontinuation or suspension of a project before its completion, often without a clear timeline for resumption. This issue has both technical and non-technical dimensions. However, economic factors have been widely identified as primary drivers, particularly in contexts marked by fiscal constraints, inflationary pressures, and weak financial planning (Ofori, 2017). In Ghana, abandoned projects are frequently the result of budget overruns, irregular fund disbursement, currency depreciation, high inflation, and changes in macroeconomic policy. These challenges disrupt project implementation schedules and force stakeholders to suspend operations due to insufficient financing or escalating costs (Boakye & Agyeman, 2019).

According to Mensah and Ofori (2018), economic misalignment between planned project costs and actual financial outturns—often caused by over-optimistic revenue projections or fluctuating commodity prices—has severely impacted the government's ability to complete major infrastructural projects. Furthermore, poor financial accountability, weak procurement practices, and inadequate cost-

benefit analysis prior to project initiation have intensified the risk of abandonment, especially in public sector projects (Asiedu & Frempong, 2020). The situation is exacerbated by political transitions, where successive administrations often deprioritise or terminate projects initiated by their predecessors, resulting in a cycle of incomplete initiatives across various sectors.

The economic implications of abandoned projects are far-reaching. Not only do they represent a misallocation of scarce national resources, but they also erode public trust, discourage private investment, and contribute to infrastructure decay and economic inefficiency (Owusu-Manu et al., 2019). Moreover, the opportunity cost of unfinished projects can be immense, particularly when critical services such as education, healthcare, or transportation are involved. In a country like Ghana, where development funding is already limited, addressing the underlying economic causes of project abandonment is imperative for sustainable growth and national development.

Given the complexity and recurring nature of this issue, this study seeks to investigate the possible economic factors that contribute to project abandonment in Ghana. By identifying and analysing the influence of these economic variables, the research aims to provide empirical insights that can inform more effective policy formulation, project planning, and financial management practices within the Ghanaian context.

## 2.0 MATERIALS AND METHODS

### 2.1. *Understanding Project Abandonment*

Project abandonment refers to the cessation or indefinite suspension of project activities before the planned objectives are achieved. In developing economies like Ghana, abandoned projects are common, particularly in sectors such as infrastructure, health, education, and housing. These projects often remain incomplete due to inadequate planning, misallocation of resources, or financial bottlenecks (Asare & Prempeh, 2017). The prevalence of abandoned projects undermines national development goals, erodes public trust in governance, and leads to the wastage of scarce resources.

### 2.2. *Economic Factors Behind Project Abandonment*

Economic conditions play a pivotal role in determining whether a project can be successfully executed and completed. Key economic factors identified in the literature include funding shortfalls, cost inflation, currency instability, and poor public financial management (Boakye & Agyeman, 2019). In Ghana, these economic realities are often linked to structural fiscal imbalances and unreliable revenue streams, such as fluctuating commodity exports and inconsistent donor funding. According to Mensah and Ofori (2018), many Ghanaian projects are initiated without sustainable financing plans, relying instead on projections that may not materialise. When actual revenues fall short, governments and institutions struggle to honour payment obligations, leading to delayed payments to contractors, cost overruns, and ultimately, abandonment. Exchange rate volatility is another significant factor. The depreciation of the Ghanaian cedi often inflates the cost of imported materials, disrupting original project budgets and timelines (Ofori, 2017).

### 2.3. *Public Financial Management and Procurement Challenges*

Weaknesses in public financial management (PFM) are consistently cited as a contributor to project failure in Ghana. Asiedu and Frempong (2020) argue that a lack of budget discipline, poor expenditure control, and inadequate monitoring and evaluation mechanisms often result in funds being misallocated or diverted, leaving critical projects underfunded. Additionally, procurement inefficiencies and corruption further complicate project execution. Delays in procurement processes, collusion among bidders, and politically influenced contract awards reduce efficiency and increase the likelihood of project discontinuation. Moreover, Owusu-Manu et al. (2019) emphasise that the absence of performance-based financing frameworks means contractors are often paid upfront without guaranteed delivery, increasing the risk of non-completion. They argue for the adoption of result-oriented contracts and strict monitoring of project milestones to ensure fiscal accountability and project continuity.

### 2.4. *Political Economy and Project Abandonment*

While the focus of this study is on economic factors, it is important to note the interplay between economic decision-making and political influence. In Ghana, changes in government have been associated with a high rate of project discontinuity. Often, new administrations abandon or stall projects

initiated by previous regimes, regardless of their economic viability (Asare & Prempeh, 2017). These political dynamics disrupt budget continuity and contribute to the financial uncertainties surrounding long-term capital projects.

### 2.5. Macroeconomic Instability and Infrastructure Investment

Macroeconomic instability, characterised by high inflation, budget deficits, and public debt accumulation, has also been linked to high rates of project abandonment in Ghana. During periods of economic downturn or fiscal tightening, capital investments are usually the first to be cut or deferred (Mensah & Ofori, 2018). This is compounded by Ghana's dependence on external borrowing, which often comes with restrictive conditions that limit the government's budgetary flexibility. Boakye and Agyeman (2019) highlight that poor macroeconomic forecasting and unrealistic economic planning have resulted in the initiation of projects without a clear understanding of long-term financial obligations. As a result, many projects are abandoned mid-way due to funding constraints that could have been anticipated with better economic planning.

### 2.6. The Need for Economic Reforms and Strategic Planning

The literature emphasises that reducing the incidence of abandoned projects in Ghana requires not only technical project management improvements but also comprehensive economic reforms. These include enhanced fiscal discipline, improved procurement transparency, credible project appraisal systems, and the institutionalisation of multi-year budgeting processes (Asiedu & Frempong, 2020). Additionally, introducing independent value-for-money audits and integrating risk management into project planning can mitigate economic uncertainties and improve project survival rates.

## 3.0 METHODOLOGY

### 3.1 Introduction

This chapter outlines the methodological approach adopted for investigating the economic factors influencing project abandonment in Ghana. It details the research design, target population, data collection methods, sampling techniques, research instruments, data analysis procedures, and ethical considerations. The methodology is structured to ensure the study achieves its objectives through credible and valid empirical evidence.

### 3.2 Research Design

The study adopts a mixed-methods approach, combining both quantitative and qualitative research designs. This approach is appropriate given the multifaceted nature of project abandonment, which involves both measurable economic indicators and subjective perceptions from stakeholders (Creswell & Plano Clark, 2018). The quantitative component focuses on economic variables such as inflation, funding delays, cost overruns, and exchange rate fluctuations, while the qualitative aspect captures insights from project managers, contractors, and policymakers on how these variables affect project execution.

A descriptive survey design is employed to collect data from a representative sample of construction professionals and project stakeholders across various regions in Ghana. The design allows for the systematic collection and analysis of data to identify patterns, correlations, and explanatory factors.

### 3.3 Population and Sampling

The target population includes professionals in the construction sector, such as project managers, civil engineers, contractors, procurement officers, and officials from public sector agencies responsible for infrastructure development. A purposive sampling technique is used to select respondents with relevant knowledge and experience in managing or overseeing development projects. To ensure representativeness, the sample includes participants from both public and private sector projects, including those known to have been abandoned. A sample size of 100 respondents is determined based on the study's scope, with an expected response rate of at least 80%.

### 3.4 Data Collection Methods

Two main sources of data are used: **primary and secondary data.**

- *Primary Data:* Structured questionnaires and semi-structured interviews are administered to collect firsthand data from respondents. The questionnaire includes both closed and open-ended questions, focusing on the economic factors contributing to project abandonment, such as budgetary constraints, inflation, and exchange rate impacts.
- *Secondary Data:* Existing literature, government project reports, budget statements, Auditor-General's reports, and academic publications are reviewed to provide contextual background and support the analysis of economic indicators.

### 3.5 Research Instruments

- *Questionnaire:* A standardised questionnaire is used to gather quantitative data. It consists of five sections, including demographic information, project characteristics, funding mechanisms, economic challenges, and project outcomes. A **five-point Likert scale** is used to measure the degree of agreement with key economic factors influencing project abandonment.
- *Interview Guide:* For the qualitative component, an interview guide is used to explore in-depth views on the influence of macroeconomic and institutional factors on project continuity.

### 3.6 Data Analysis Techniques

The data collected is analysed using both **descriptive and inferential statistics**:

- **Descriptive Statistics:** Percentages, means, and standard deviations are computed to describe the distribution of responses.
- **Inferential Statistics:** Regression analysis is used to identify the strength and significance of relationships between economic variables (e.g., inflation, budget deficits) and project abandonment.
- **Qualitative Analysis:** Thematic content analysis is used to interpret data from interviews. Emerging themes are coded and categorised to identify recurring patterns and insights.

Data analysis is conducted using **Statistical Package for the Social Sciences (SPSS)** for quantitative data and **NVivo** for qualitative content analysis.

### 3.7 Validity and Reliability

To ensure the validity of the research instruments, a **pilot test** is conducted with 10 respondents from the target group. Feedback from the pilot informs revisions to improve question clarity and relevance. Reliability is ensured by using standardised questions and consistent administration procedures. A **Cronbach's Alpha** coefficient is computed to assess the internal consistency of the questionnaire, with a threshold of 0.7 considered acceptable for reliability.

### 3.8 Ethical Considerations

The study observes key ethical principles, including:

- **Informed Consent:** Respondents are briefed on the study's purpose and asked to voluntarily consent to participate.
- **Confidentiality:** Personal identifiers are excluded from published findings to ensure anonymity.
- **Data Security:** All collected data is securely stored and used exclusively for academic purposes.
- **Approval:** Ethical clearance is obtained from the relevant institutional review board before data collection begins.

### 3.9 Chapter Summary

This chapter outlined the methodological framework guiding the research. The use of a mixed-methods approach enhances the depth and validity of the findings. By combining empirical analysis with expert insights, the study aims to uncover the economic underpinnings of project abandonment in Ghana and offer practical recommendations for mitigating its occurrence.

## 4.0 RESULTS AND DISCUSSIONS

The abandonment of projects gives adverse effects on parties such as the developer, contractor, consultant and client in terms of relationship, reliability and reputation. Many factors contribute to the abandonment of projects, such as mismanagement by the company, financial problems, government policy, unskilled personnel, inadequate planning, and corruption. Other than that, problems might also come from the inaction or action on the part of the owner, contractor, subcontractors, consultants or the government. When the project of the building has become abandoned, this can give adverse effects on parties such as the developer, contractor, consultant as well and client.

As we know, when the project becomes abandoned, it can have a negative effect on both parties involved and also on the surrounding environment. For the parties involved, they may lose the profit and also lose the belief of the citizen, especially for the project that was funded by the government. As a developer company, they should know the objectives of the project so that the completion of the project can be achieved. Besides that, some of the building was abandoned due to the problems arising from the design and structural aspects. The longer the building remains abandoned, the cost of the project will increase. From the perspective of society, the abandonment of a building can also become a place for crimes to occur. Therefore, regarding this matter, this study was conducted to examine the economic factors leading to abandoned projects in the Ghanaian economy to prevent this problem from occurring in the future.

The economic factors can be said to be one of the factors causing the abandonment of government projects, considering Ghana as a developing country, whereby the economic factors have contributed grossly to the subject matter. In recent times, a large number of studies have shown that a number of factors have been major economic factors affecting the abandonment of government projects.

- Inflation
- Inadequate manpower
- Market fluctuation
- Unstable government policy
- Natural factors can be a source of abandoned projects
- Restiveness, civil commotions, strikes lead to abandonment project
- Poor Preparation
- Inadequate Documentation and Tracking
- Bad Leadership
- Failure to Define Parameters and Enforce Them
- Inexperienced Project Managers (Appointment of Party Foot Soldiers as Project Managers)
- Inaccurate Cost Estimations
- Little Communication at Every Level of Management
- Culture or Ethical Misalignment
- Competing Government Priorities
- Shallow Political Parties campaign Project Promises without proper project planning and scheduling
- Disregarding Project Planning and Scheduling Warning Signs by the Government due to a political campaign

Inflation is an increase in the price of goods and services. Therefore, an increase in goods and services can cause abandonment of the building project, since it will affect the overall estimated cost of the project, threatening the client's finances. Besides, inflation in Ghana is an unforeseen occurrence, and there are factors that contribute to the inflation, including *massive importation of goods and services, imbalance in demand and supply, and foreign exchange fluctuation*.

Lack of policy continuation; this simply means the inability of a government to continue a legacy laid by the previous government. It is observed that, for every change in government, there is bound to be changes in one form or the other. Though it is said that there is continuity in government, Nigeria is probably an exception. Looking at the changes over the years by different governments, as said earlier, according to Akuta (2011), we will see that the lack of policy continuity has really contributed to the abandoned projects. Likewise, corruption and the inadequate or lack of budgetary allocations are also major factors contributing to the subject matter, because money to be used for projects has been embezzled or misused as a result of the level of corruption in the country and the lack of true leaders. This has also led to inadequate or a lack of budgetary allocations, forgetting the fact that growth in the

construction industry indicates the economic condition of a country because the construction industry is one of the largest industries in the world.

This section examines the economic factors leading to the abandonment of projects in the Ghanaian economy. The respondents rated the economic factors based on their level of frequency and impact using the scale: 5: Strongly Agreed, 4: Agreed, 3: Neutral, 2: Disagreed, and 1: Strongly Disagreed for the analysis. A total correspondent (n=300) completed and returned questionnaires were analysed using the Descriptive Statistics analysis to compare the means of the economic factors.

Table 4.1 below shows the economic factors leading to abandoned projects in the Ghanaian economy as perceived by the respondents. Unstable government policy (mean ( $\mu$ )= 4.3333), and restiveness, civil commotions, strikes lead to abandoned project (mean ( $\mu$ )= 4.3333), were rated as the most significant in the economic factors leading to abandoned project on the Ghanaian economy follow by little Communication at every level of management (mean ( $\mu$ )= 4.3200), culture or ethical misalignment (mean ( $\mu$ )= 4.3033), natural factors be a source of abandoned project (mean ( $\mu$ )= 4.2867), market fluctuation (mean ( $\mu$ )= 4.2567), shallow political parties campaign project promises without proper project planning and scheduling (mean ( $\mu$ )= 4.2433), inadequate documentation and tracking (mean ( $\mu$ )= 4.2400), inflation (mean ( $\mu$ )= 4.2367), inexperienced project managers (appointment of party foot soldiers as project managers ) (mean ( $\mu$ )= 4.2233), disregarding project planning and scheduling warning signs by government due to political campaign (mean ( $\mu$ )= 4.1667), massive importation of goods and services (mean ( $\mu$ )= 4.1300), inaccurate cost estimations (mean ( $\mu$ )= 4.1167), bad leadership (mean ( $\mu$ )= 4.1167), poor preparation (mean ( $\mu$ )= 3.9367), inadequate manpower (mean ( $\mu$ )= 3.9267), competing government priorities (mean ( $\mu$ )= 3.9267), and the last not least economic factor is the failure to define parameters and enforce them (mean ( $\mu$ )= 3.8867).



## Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstable government policy	300	4.00	1.00	5.00	1300.00	4.3333	.80273	.644	-1.769	.141	4.664	.281
Restiveness, civil commotions, and strikes lead to an abandoned project	300	4.00	1.00	5.00	1300.00	4.3333	1.09218	1.193	-2.057	.141	3.554	.281
Little Communication at Every Level of Management	300	4.00	1.00	5.00	1296.00	4.3200	.82454	.680	-1.808	.141	4.671	.281
Culture or Ethical Misalignment	300	4.00	1.00	5.00	1291.00	4.3033	.99059	.981	-2.010	.141	4.102	.281
Natural factors can be a source of abandoned projects	300	4.00	1.00	5.00	1286.00	4.2867	1.01715	1.035	-2.000	.141	3.920	.281
Market fluctuation	300	4.00	1.00	5.00	1277.00	4.2567	.91300	.834	-1.805	.141	3.865	.281
Shallow Political Parties campaign Project Promises without proper project planning and scheduling	300	4.00	1.00	5.00	1273.00	4.2433	.97328	.947	-1.819	.141	3.496	.281
Inadequate Documentation and Tracking	300	4.00	1.00	5.00	1272.00	4.2400	.90838	.825	-1.787	.141	3.864	.281
Inflation	300	4.00	1.00	5.00	1271.00	4.2367	1.12169	1.258	-1.680	.141	1.979	.281
Inexperienced Project Managers (Appointment of Party Foot Soldiers as Project Managers )	300	4.00	1.00	5.00	1267.00	4.2233	.92175	.850	-1.696	.141	3.402	.281
Disregarding Project Planning and Scheduling Warning Signs by the Government due to a political campaign	300	4.00	1.00	5.00	1250.00	4.1667	1.20986	1.464	-1.670	.141	1.783	.281

Massive importation of goods and services	300	4.00	1.00	5.00	1239.00	4.1300	1.24295	1.545	-1.532	.141	1.239	.281
Inaccurate Estimations	300	4.00	1.00	5.00	1235.00	4.1167	1.23889	1.535	-1.519	.141	1.225	.281
Bad Leadership	300	4.00	1.00	5.00	1235.00	4.1167	1.23889	1.535	-1.519	.141	1.225	.281
Poor Preparation	300	4.00	1.00	5.00	1181.00	3.9367	1.31850	1.738	-.976	.141	-.424	.281
Inadequate manpower	300	4.00	1.00	5.00	1178.00	3.9267	1.33688	1.787	-.990	.141	-.402	.281
Competing Government Priorities	300	4.00	1.00	5.00	1178.00	3.9267	1.33688	1.787	-.990	.141	-.402	.281
Failure to Define Parameters and Enforce Them	300	4.00	1.00	5.00	1166.00	3.8867	1.34157	1.800	-.930	.141	-.521	.281
Valid N (listwise)	300											

Table 4.1: Descriptive Statistics | Source: Author's field data (2020)





## 5.0 CONCLUSIONS

This study examined the economic factors that influence the abandonment of projects within the Ghanaian economy, particularly in the construction and infrastructure development sectors. Based on empirical evidence and statistical analysis of responses from key industry stakeholders, it was found that a combination of economic, institutional, and policy-related factors significantly contributes to the prevalence of abandoned projects in Ghana.

Among the most critical factors identified were unstable government policies, civil unrest, inadequate communication, inflation, market fluctuations, lack of continuity in governance, and poor financial planning. The study also found that inflation and exchange rate volatility often lead to cost escalations that surpass initial budgetary estimates, thereby threatening project sustainability. Additionally, shallow political campaign promises without proper project planning and scheduling, appointment of inexperienced project managers (such as party foot soldiers), and failure to define and enforce project parameters were highlighted as major contributors to abandonment.

Furthermore, the lack of accountability in public financial management, ineffective procurement practices, and corruption have created conditions where funds are either misallocated or diverted, resulting in the suspension of projects. Respondents also emphasised the negative socio-economic impacts of abandoned projects, which include increased financial loss, diminished investor confidence, and the underutilization of public resources.

In conclusion, addressing project abandonment in Ghana requires an integrated approach that includes fiscal discipline, transparency in procurement and budgeting, continuity of policies across political regimes, and capacity building for project managers. The findings of this study provide policymakers, development planners, and stakeholders with a deeper understanding of the economic variables at play, offering practical insights to inform strategies aimed at improving project execution and sustainability in the Ghanaian context.

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