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Theoretical Dimensions of Post-War Recovery

Abstract

This paper *aims* to develop a theoretical framework for post-war recovery financing, substantiating its interpretation as a layered, institutionally conditioned and risk-sensitive system of capital allocation. *Methodology.* The study's methodology draws on Keynesian economics, Rosenstein-Rodan's big-push theory, Hirschman's theory of unbalanced growth, Musgrave's theory of public finance, North's institutional theory and Stiglitz's information economics. Methods employed include theoretical generalisation, comparative analysis, structural decomposition and conceptual synthesis. *Results.* It has been established that post-war recovery financing should not be reduced to a single fiscal task or the mere mobilisation of external resources. This study demonstrates that its effectiveness depends on the interaction of several interconnected layers: stabilisation finance; coordinated reconstruction finance; strategic sectoral prioritisation; institutional support; and risk-absorption mechanisms to mobilise private capital. The study proves that grants, budget support and concessional resources dominate the initial phase of recovery due to weak private demand and heightened uncertainty. In contrast, guarantees, insurance, co-financing and blended instruments are important for the later-stage crowding-in of commercial investment. The results also show that institutional quality – including procurement credibility, enforcement mechanisms, monitoring systems and administrative capacity – is an integral part of the recovery financing architecture, rather than an external condition. Additionally, the study highlights the importance of distinguishing between compensatory financing, which restores destroyed assets and minimum functionality, and transformational financing, which drives structural modernisation and alters the economy's long-term growth trajectory. *Practical implications.* The proposed framework can serve as a conceptual basis for the design of post-war financing strategies, the selection of appropriate financial instruments, the structuring of public-private participation models and the improvement of reconstruction policy coherence in countries affected by war. *Value/Originality.* This research is novel in that it develops an integrated theoretical approach to post-war recovery financing, synthesising macroeconomic, developmental, institutional and financial perspectives. The study's originality lies in substantiating post-war recovery financing as a coherent interdisciplinary system, where the effectiveness of reconstruction depends on more than just the scale of funding. Other factors include sequencing, institutional embeddedness, sectoral coordination and the capacity to reduce extreme risk.

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Introduction

Post-war recovery is often discussed in terms of the scale of the destruction caused, the amount of external aid provided, and the institutional capacity of the affected state. However, the financial aspect of recovery is generally understood too narrowly, primarily as a matter of raising sufficient funds to replace damaged assets. In practice, however, post-war recovery financing is a more complex process that depends not only on the volume of funds, but also on the structure of capital, the timing of its deployment, the distribution of risks and the interaction between public and private actors. Recovery only becomes

effective when financial mechanisms stabilise the economy, restore basic systems and create conditions for long-term development, not when money is simply pledged.

This issue has become particularly pertinent in light of contemporary large-scale destruction, as evidenced by the situation in Ukraine. In such situations, reconstruction cannot be based solely on traditional budgetary tools. Instead, it requires a combination of grants, concessional loans, sovereign and municipal borrowing, guarantees, insurance mechanisms, blended finance and development bank support. However, the mere existence of these

Keywords

post-war recovery financing, reconstruction finance, public finance, institutional capacity, blended finance, risk-sharing mechanisms, economic reconstruction, transformational recovery

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instruments does not create a coherent recovery model in itself. Without a clear theoretical understanding of how these sources should interact, recovery financing risks remaining fragmented and reactive.

The existing literature provides a foundation for this discussion. Economic historians have demonstrated that Europe's post-war recovery was not only driven by rebuilding, but also by productivity convergence, structural change and institutional adaptation (Crafts et al., 1996; Smolny, 2000; Vonyo, 2008). Political economy perspectives emphasise that reconstruction is also a matter of power, governance and distribution (The political economy of postwar reconstruction, 1993). Meanwhile, Keynesian and post-Keynesian approaches emphasise the pivotal role of public expenditure and state coordination in the aftermath of major shocks (Baca, 2021; Cooley & Ohanian, 1997). More recent studies, particularly those focusing on Ukraine, emphasise the importance of institutional frameworks and the necessity of linking recovery planning with economic growth theories (Papastamou, 2023; Aleksin, 2024). Nevertheless, these studies have yet to offer an integrated theory of post-war recovery financing.

This paper closes the gap by treating post-war recovery financing as a layered financial system, in which different forms of capital perform different functions. Some instruments support macroeconomic stabilisation and basic public services; others rebuild infrastructure and territorial functionality; and others are needed to mobilise private investment and support structural transformation.

This paper aims to develop a theoretical framework for post-war recovery financing by integrating insights from economic history, Keynesian macroeconomics, development theory, institutional economics and political economy. It argues that effective post-war recovery financing can be understood through four interconnected dimensions: the functional layering of financing sources; the sequencing of capital deployment; the institutional embedding of financial mechanisms; and the risk-sensitive mobilisation of private capital. In this way, the study contributes to a more systematic understanding of how financial architecture can support reconstruction and the longer-term recovery and modernisation of the economy.

2 Theoretical Foundations and Structural Architecture of Post-War Recovery Financing

The results of the study show that post-war recovery financing should be understood as a system of capital allocation that is structured and layered, and influenced by institutions. Theoretically, this finding is most closely aligned with Keynesian economics, which treats public expenditure as a necessary

stabilising force when private demand and investment are insufficient to restore economic activity independently. In a post-war context, this logic becomes even more apparent: the destruction of productive assets, heightened uncertainty and weak expectations suppress private investment, meaning that early recovery necessarily begins with externally supported public spending, budget stabilisation and the restoration of aggregate demand. Therefore, Keynesian theory helps to explain why grants, fiscal transfers and concessional finance dominate the initial phase of recovery rather than market-based capital.

At the same time, however, the results suggest that managing aggregate demand alone cannot fully explain the architecture of post-war reconstruction. The research shows that financing must also address a developmental coordination problem, connecting the findings to Rosenstein-Rodan's "big push" theory. This theory's central implication is that large-scale development may fail if complementary investments are not undertaken simultaneously. In the context of post-war recovery, for example, investing in housing, transport, energy or industrial facilities in isolation will only have a partial effect if adjacent systems remain broken. The study therefore concludes that reconstruction financing is most effective when organised as a coordinated package of mutually reinforcing investments, rather than a disparate set of projects. This conclusion is supported by the finding that post-war recovery requires synchronised financing across sectors whose returns depend on each other, as well as money.

A closely related result emerges from the sectoral analysis of recovery priorities. The study found that not all sectors require financing to the same extent or at the same time. This is consistent with Hirschman's theory of unbalanced growth, which posits that development can be accelerated by directing scarce resources into strategic bottlenecks and sectors with strong linkage effects. When applied to post-war recovery, this suggests that financing energy systems, logistics corridors, municipal utilities and export-enabling infrastructure in a targeted manner may generate larger economy-wide spillovers than distributing funds proportionally across all damaged sectors. In this sense, the results refine the coordination logic of the "big push" – while broad reconstruction is necessary, financing should prioritise those areas that will lead to wider productive recovery.

Another important finding is the functional differentiation of financing sources. Depending on the type of asset being restored and the level of risk involved, grants, concessional loans, sovereign borrowing, guarantees, municipal finance and private capital each serve a distinct role and are not substitutes for one another. Musgrave's theory of public finance, especially the distinction between the allocation,

distribution, and stabilisation functions of the state, provides a good explanation for this effect. In post-war conditions, the stabilisation function is critical in the early phase, when governments and donors must prevent a macroeconomic collapse. The allocation function is central to financing public goods such as roads, grids, water systems and public administration. The distribution function is relevant when recovery financing must address territorial inequality, vulnerable populations and unequal access to restored services. Therefore, the results show that post-war financing is not merely an investment issue, but also a question of public finance in the classical Musgravian sense. The analysis is summarised in Tables 1 and 2.

Table 1 shows that post-war recovery financing cannot be explained by a single theory. The logic is inherently multidimensional: Keynesian economics clarifies why the initial stage is dominated by public

expenditure and concessional resources; big-push and unbalanced growth theories, meanwhile, explain why reconstruction must be both coordinated and selective. In other words, recovery requires a sufficient volume of funding as well as a deliberate structure for allocating capital across sectors, stages and priorities.

Table 2 shows that post-war recovery financing should be seen as a layered system, with each structural element performing a different but linked function. The stabilisation layer provides the initial macroeconomic foundation by maintaining fiscal continuity and preventing systemic disruption. Meanwhile, the coordinated reconstruction layer ensures financing is directed towards rebuilding interdependent systems rather than isolated assets. Thus, recovery financing operates as an ordered architecture, with different layers supporting different stages of economic restoration, rather than as a single flow of funds.

TABLE 1 Theoretical foundations of post-war recovery financing

Theoretical approach	Core idea	Interpretation in post-war recovery financing	Main financial implication
Keynesian economics	Public expenditure stabilises the economy when private demand and investment are weak	Early recovery begins with externally supported public spending, fiscal stabilisation, and restoration of aggregate demand	Dominance of grants, fiscal transfers, and concessional finance in the initial phase
Big-push theory	Development requires simultaneous complementary investment across sectors	Reconstruction is effective only when financing is organised as a coordinated package rather than isolated projects	Need for synchronised financing of housing, energy, transport, and industry
Unbalanced growth theory	Scarce resources should be directed to strategic bottlenecks with strong linkage effects	Not all sectors should be financed equally or at the same time	Priority to energy, logistics, municipal utilities, and export-enabling infrastructure
Musgrave's public finance theory	The state performs stabilisation, allocation, and distribution functions	Recovery financing is both an investment issue and a public finance issue	Differentiated use of financing sources depending on public goods, social needs, and macroeconomic risks
North's institutional theory	Institutions reduce uncertainty and shape economic performance	Financing capacity depends on procurement, enforcement, monitoring, and administrative quality	Institutional rebuilding is part of financing architecture
Stiglitz's information economics	Asymmetric information distorts markets and leads to credit rationing	Private markets underinvest when risk is opaque and difficult to price	Need for guarantees, co-financing, insurance, and blended structures

TABLE 2 Structural architecture of post-war recovery financing

Structural element	Content	Economic logic	Expected effect
Stabilisation layer	Grants, budget support, concessional finance	Prevent macroeconomic collapse and restore minimum functionality	Fiscal continuity and short-term economic stabilisation
Coordinated reconstruction layer	Financing of mutually reinforcing sectors	Restore interdependent systems rather than fragmented assets	Stronger systemic recovery effects
Strategic prioritisation layer	Selective financing of bottleneck sectors	Unlock wider productive recovery through targeted interventions	Higher spillovers and faster economic reactivation
Functional differentiation of capital	Different instruments serve different purposes	Financing sources are not substitutes but complementary tools	Better alignment between instrument type and recovery need
Institutional layer	Procurement, monitoring, enforcement, administration	Institutions convert money into effective outcomes	Lower transaction costs and better capital productivity
Risk-absorption layer	Guarantees, co-financing, insurance, blending	Public capital reduces risk to crowd in private finance	Mobilisation of additional investment

3 Institutional and Risk-Related Determinants of Financing Effectiveness

The effectiveness of recovery finance hinges heavily on the quality of the institutions through which funds are allocated. This finding lends direct support to North's institutional theory, which posits that institutions influence economic performance by structuring incentives, mitigating uncertainty, and reducing transaction costs. In a post-war environment, the absence of credible procurement and contract enforcement systems, monitoring systems, property rights protection and administrative capacity can raise transaction costs to such a degree that substantial financing may fail to deliver reconstruction outcomes. The findings therefore suggest that institutional rebuilding is a core component of recovery finance, not a secondary governance issue. In other words, the results confirm that financing capacity is inseparable from institutional capacity.

This institutional dimension is particularly important when the study turns to private capital mobilisation. One of the most striking findings is that post-war recovery is limited not only by the amount of available capital, but also by financial markets' inability to accurately assess extreme risk. These findings resonate with Stiglitz's theory of asymmetric information. In post-war economies, lenders, investors, insurers and public authorities all operate within a context of deep informational asymmetry: project quality is difficult to verify, borrower risk is opaque, security conditions can change abruptly and asset valuation is unstable. Under such conditions, private markets tend to ration capital, overprice risk or avoid entering the market altogether. The study therefore demonstrates that, in addition to a purely financial role, donor guarantees, public co-financing, political risk insurance and blended structures perform an information-correcting and confidence-building role. These measures help to bridge the gap between projects that are socially necessary and those that are privately acceptable in terms of risk and return.

The role of the state and international partners in post-war recovery extends beyond direct spending. Public and concessional finance often act as risk absorbers, primarily to crowd in later-stage private investment. In this respect, the findings align with contemporary development finance approaches to blended finance and the attraction of private capital, which emphasise that development funds can be strategically deployed to mobilise commercial resources when risks are too high for markets to act independently. Such mechanisms are particularly important in post-war situations, where viable projects may exist but remain unfunded due to political, legal or security-related uncertainties. However, the analysis also shows that blended finance is not universally effective. It only works where there

is a minimum institutional threshold, a credible project pipeline, and clear additionality. Otherwise, concessional resources may be spent without generating meaningful private participation.

4 Strategic Sequencing and Transformational Logic of Recovery Financing

Post-war recovery financing is strongly path-dependent. Decisions made early on regarding stabilisation, infrastructure repair and institutional rebuilding influence the productivity of later-stage investment. While this conclusion follows from both Keynesian sequencing and institutional economics, it also demonstrates that recovery financing has cumulative rather than linear effects. When macro-fiscal stabilisation is delayed, project pipelines remain weak. When infrastructure bottlenecks persist, private investment does not increase. When institutions are fragile, mobilisation instruments underperform. Therefore, the effectiveness of financing depends not only on the volume of disbursements, but also on whether the deployment of initial capital creates conditions that allow subsequent capital to be used productively.

The difference between compensatory and transformational financing should be clarified. The former is intended to replace destroyed assets and restore minimum functionality. By contrast, transformational financing supports structural modernisation, technological upgrading, green infrastructure, new industrial capacity and stronger integration into international markets. The study's theoretical contribution is to demonstrate that these two approaches should not be combined. A recovery model that is based solely on compensation may rebuild pre-war vulnerabilities. In contrast, a recovery model informed by development theory seeks productive reconfiguration, not just replacement. In this sense, the findings draw on the "big push" and 'unbalanced growth' traditions: reconstruction is successful when it restores what was lost, but becomes developmentally meaningful only when financing is used to alter the future growth path of the economy.

Overall, the results suggest that post-war recovery financing is most effectively understood as a layered theoretical system comprising several complementary traditions. Keynesian theory explains why public spending is crucial in the initial recovery stage. Big-push theory emphasises the need for large-scale, coordinated complementary investment. Unbalanced growth theory clarifies why certain strategic sectors should receive earlier and more intensive financing than others. Musgrave's public finance theory outlines the state's stabilisation, allocation and distributive roles. North's institutional economics demonstrates how institutional capacity influences the conversion

of funds into outcomes. Stiglitz's information economics helps to explain why risk, opacity and financing gaps persist unless the public sector actively reduces uncertainty.

Thus, the paper's main result is not only the identification of financing layers, instruments and sequences, but also the demonstration that post-war recovery financing can be theoretically grounded in a coherent, interdisciplinary framework. This enables a progression from descriptive discussions of aid, deficits and investment shortages to a more rigorous explanation of why some financing architectures generate cumulative recovery effects, while others remain fragmented, reactive and fiscally expensive. In this sense, the theory of post-war recovery financing proposed in this study does not replace established economic thought, but rather synthesises its most relevant insights in the context of war damage, extreme uncertainty and institutional reconstruction.

5 Conclusions

This paper supports the idea that post-war recovery financing should not be viewed as merely a problem of resource mobilisation, but rather as an intricate and multifaceted system of capital allocation. The study demonstrates that reconstruction financing only becomes effective when designed as a layered architecture combining macroeconomic stabilisation, the coordinated rebuilding of interdependent sectors, selective support for strategic bottlenecks, institutional strengthening and risk reduction mechanisms. In this sense, the financial aspect of post-war recovery encompasses much more than just finding sufficient funding. Its effectiveness hinges on how different instruments are combined, the sequence in which they are deployed, and the institutional conditions under which they operate.

One of the paper's central conclusions is that the theory of post-war recovery financing can be grounded in a coherent interdisciplinary framework. According to Keynesian economics, public expenditure, grants and concessional resources predominate in the early phase of recovery when private demand and investment are too weak to restart economic activity. Big-push theory clarifies why reconstruction requires the coordinated financing of mutually reinforcing sectors, rather than fragmented investment in isolated assets. According to Hirschman's theory of unbalanced growth, recovery resources should not be distributed proportionally across all damaged areas, but rather targeted at strategic bottlenecks capable of generating wider spillover effects. Musgrave's theory of public finance confirms that post-war reconstruction involves stabilisation, allocation and distribution. North's institutional approach

shows that financing capacity is inseparable from institutional capacity. Meanwhile, Stiglitz's theory of asymmetric information explains why private markets tend to underinvest in times of extreme uncertainty. Together, these theoretical perspectives enable post-war recovery financing to be interpreted as a structured, risk-sensitive and institutionally embedded process.

The results also suggest that financing instruments for post-war recovery should be treated as complementary rather than substitutes. Grants and budget support are vital for maintaining fiscal stability and restoring basic state services. Concessional finance plays a critical role in rebuilding infrastructure and basic systems in markets with limited capacity. Where the objective is to absorb risk and crowd in private capital, as well as to fund projects directly, guarantees, insurance, co-financing and blended structures are necessary. Therefore, the success of recovery financing depends less on the dominance of any single source of capital, and more on the coherence of the overall financing mix.

Another important conclusion is that institutional quality is not just an external factor, but a core element of recovery financing. Whether financial inflows can be translated into effective reconstruction outcomes depends on procurement credibility, enforcement mechanisms, monitoring systems, property rights protection and administrative capacity. Even substantial external support can produce weak results if these institutional channels remain fragile. Therefore, institutional rebuilding should be considered an integral component of the recovery financing model itself, rather than a parallel reform agenda.

The paper further demonstrates that post-war recovery financing is path-dependent. The results of the study show that post-war recovery financing is best understood as a structurally layered and institutionally conditioned system of capital allocation, rather than as a single fiscal task. In theoretical terms, this finding is most closely aligned with Keynesian economics, which treats public expenditure as a necessary stabilising force when private demand and investment are insufficient to restore economic activity independently. In a post-war setting, this logic becomes even more apparent: the destruction of productive assets, heightened uncertainty and weak expectations suppress private investment. Consequently, early recovery necessarily begins with externally supported public spending, budget stabilisation and the restoration of aggregate demand. Therefore, Keynesian theory helps to explain why grants, fiscal transfers and concessional finance dominate the initial phase of recovery rather than market-based capital.

At the same time, however, the results suggest that managing aggregate demand alone cannot fully explain the architecture of post-war reconstruction.

The research shows that financing must also address the issue of developmental coordination, connecting the findings to Rosenstein-Rodan's "big push" theory. This theory's central implication is that large-scale development may fail if complementary investments are not undertaken simultaneously. In the context of post-war recovery, investing in housing, transport, energy or industrial facilities in isolation will only have a partial effect if adjacent systems remain broken. The study therefore concludes that reconstruction financing is most effective when organised as a coordinated package of mutually reinforcing investments, rather than a disparate set of projects. This supports the conclusion that post-war recovery requires synchronised financing across sectors whose returns depend on each other, as well as money.

A closely related result emerges from the sectoral analysis of recovery priorities. The study found that not all sectors require financing to the same extent or at the same time. This is consistent with Hirschman's theory of unbalanced growth, which posits that development can be accelerated by directing scarce resources into strategic bottlenecks and sectors with strong linkage effects. When applied to post-war recovery, this suggests that financing energy systems, logistics corridors, municipal utilities and export-enabling infrastructure in a targeted manner may generate larger economy-wide spillovers than distributing funds proportionally across all damaged sectors. In this sense, the results refine the coordination logic of the "big push": while broad reconstruction is necessary, financing should still prioritise those areas that will lead to wider productive recovery.

Another important finding is the functional differentiation of financing sources. The paper demonstrates that grants, concessional loans, sovereign borrowing, guarantees, municipal finance and private capital do not act as substitutes for one another; rather, each serves a distinct role depending on the type of asset being restored and the level of risk involved. This finding is well explained by Musgrave's theory of public finance, particularly his distinction between the allocation, distribution and stabilisation functions of the state. In post-war conditions, the stabilisation function is critical in the early phase, when governments and donors must prevent a macroeconomic collapse. The allocation function is central to financing public goods such as roads, grids, water systems and public administration. The distribution function is relevant when recovery financing must address territorial inequality, vulnerable populations and unequal access to restored services. Therefore, the results show that post-war financing is not only an investment issue, but also a question of public finance in the classical Musgravian sense.

The study also shows that the effectiveness of recovery finance hinges on the quality of the institutions through which it is deployed. This finding lends direct support to North's institutional theory, which posits that institutions influence economic performance by structuring incentives, mitigating uncertainty, and reducing transaction costs. In post-war environments, the absence of credible procurement and contract enforcement systems, monitoring systems, property rights protection and administrative capacity can raise transaction costs to such a degree that substantial financing may still fail to deliver reconstruction outcomes. The findings suggest that institutional rebuilding is a core component of recovery finance, rather than a secondary governance issue. In other words, the results confirm that financing capacity is inseparable from institutional capacity.

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This leads to another significant finding: the role of the state and international partners in post-war recovery extends beyond direct spending. The research shows that public and concessional finance often act as risk absorbers, primarily to encourage later-stage private investment. In this respect, the findings align with contemporary development finance approaches to blended finance and the mobilisation of private capital, which emphasise that development funds can be used strategically to attract commercial investment in high-risk areas. The results confirm that such mechanisms are particularly important in post-war contexts where viable projects exist but remain unfunded due to political, legal or security-related uncertainties. However, the analysis also shows that blended finance is not universally effective. It only works where there

is a minimum institutional threshold, a credible project pipeline, and clear additionality. Otherwise, concessional resources may be spent without generating meaningful private participation.

Another result of the study is that post-war recovery financing is strongly path-dependent. Decisions made in the early stages of recovery, such as those relating to stabilisation, infrastructure repair and institutional rebuilding, influence the productivity of later-stage investment. This conclusion stems from both Keynesian sequencing and institutional economics, but also builds upon them by demonstrating that recovery financing has cumulative rather than linear effects. When macro-fiscal stabilisation is delayed, project pipelines remain weak. When infrastructure bottlenecks persist, private investment does not increase. When institutions are fragile, mobilisation instruments underperform. Therefore, the study finds that financing effectiveness depends not only on the volume of disbursement, but also on whether early capital deployment creates the conditions for later capital to be used productively.

The results also clarify the difference between compensatory and transformational financing. Compensatory financing aims to replace destroyed assets and restore minimum functionality. By contrast, transformational financing supports structural modernisation, technological upgrading, green infrastructure, new industrial capacity and stronger integration into international markets. The study's theoretical contribution is to demonstrate that these two concepts should not be conflated. A recovery model that is based solely on compensation may rebuild vulnerabilities that existed prior to the war. In contrast, a recovery model informed by development theory seeks productive reconfiguration, not just replacement. In this sense, the findings draw on the big-push and unbalanced-growth traditions. Reconstruction is successful when it restores what was lost, but becomes developmentally meaningful only when financing is used to alter the economy's future growth path.

Overall, the results suggest that post-war recovery financing is most effectively understood as a layered theoretical system comprising several complementary traditions. Keynesian theory explains why public spending is crucial in the initial recovery stage. Big-push theory emphasises the need for large-scale, coordinated complementary investment. Unbalanced growth theory clarifies why certain strategic sectors require earlier and more intensive financing than

others. Musgrave's public finance theory outlines the state's stabilisation, allocation and distributive roles. North's institutional economics demonstrates how institutional capacity influences the conversion of funds into outcomes. Stiglitz's information economics helps to explain why risk, opacity and financing gaps persist unless the public sector actively reduces uncertainty.

Thus, the paper's main result is not only the identification of financing layers, instruments and sequences, but also the demonstration that post-war recovery financing can be theoretically grounded in a coherent, interdisciplinary framework. This enables one to move beyond descriptive discussions of aid, deficits and investment shortages, and towards a more rigorous explanation of why some financing architectures generate cumulative recovery effects, while others remain fragmented, reactive and fiscally expensive. In that sense, the theory of post-war recovery financing proposed in this study does not offer an alternative to established economic thought. Rather, it synthesises the most relevant insights of this thought under conditions of war damage, extreme uncertainty and institutional reconstruction. The effectiveness of later-stage capital deployment is shaped by stabilisation, infrastructure repair and institutional restoration. If these foundational layers are underfunded or delayed, private investment mobilisation becomes slower, more expensive and less reliable. This confirms that recovery financing has cumulative rather than linear effects. Simply attracting resources is not enough; the conditions must also be created for later capital to operate productively.

Finally, the study shows that a clear distinction must be made between compensatory and transformational financing. While compensatory financing is necessary for restoring destroyed assets and minimum functionality, it may reproduce pre-war vulnerabilities on its own. By contrast, transformational financing supports modernisation, technological upgrading, green infrastructure and a new long-term growth trajectory. The broader implication is that successful post-war recovery should not be limited to rebuilding what was lost. It should also establish the financial foundations for a more resilient, competitive and structurally renewed economy.

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