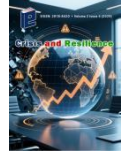




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Research Article

Ukraine: The Fear of Peace? Latent Post-War Risks and the Prospects for Reconstruction

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ABSTRACT

The end of large-scale hostilities in Ukraine would halt further destruction but would not immediately resolve the demographic, social, fiscal and institutional consequences accumulated during war. This article proposes the peace exposure effect as a transition-specific analytical framework: liabilities generated during conflict become more visible or pressing as mobilisation, exceptional mobility rules and emergency financing are replaced by civilian governance. The framework does not claim that peace creates those liabilities. Using a structured synthesis of institutional and academic sources available by 10 September 2026, mechanism-based comparisons with post-1945 Western Europe, West Germany, Bosnia and Herzegovina and refugee return to the former Yugoslavia, and conditional scenarios, the article distinguishes observed wartime burdens from proposed post-war mechanisms. It specifies observable transition triggers, administrative and socioeconomic indicators, and plausible alternative explanations that could be examined when post-war data become available. The analysis identifies potential interactions among labour scarcity, disability and veteran reintegration, refugee mobility, basic-service reconstruction, public finance and investment. It then sets out a staged policy framework linking responsibilities and monitoring indicators to security and implementation capacity. The contribution is conceptual and policy-analytical rather than a causal estimate of post-war effects. Ukraine's recovery should be assessed by durable human and institutional capabilities, not by construction expenditure or return statistics alone.

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1. Introduction

The end of a war is conventionally associated with relief, stabilisation and the beginning of recovery. In the case of Ukraine, however, the cessation of large-scale hostilities will not itself resolve the structural consequences accumulated during years of warfare. Peace would remove the most immediate source of destruction and human loss, but it would simultaneously alter the nature of the country's crisis. Problems currently subordinated to military necessity—including demographic contraction, labour shortages, veteran reintegration, disability, family vulnerability, population displacement, fiscal pressures, damaged public services and regional economic dislocation—would become central issues of domestic policy. The challenge facing post-war Ukraine may therefore consist not only in rebuilding what has been destroyed, but also in managing the social and economic liabilities that wartime mobilisation has temporarily pushed into the background.

The scale of material destruction alone is exceptional. The Fifth Rapid Damage and Needs Assessment (RDNA5), prepared jointly by the Government of Ukraine, the World Bank Group, the European Commission and the United Nations, estimated direct physical damage at more than USD 195 billion as of 31 December 2025 and recovery and reconstruction needs at almost USD 588 billion over the following decade. Housing, transport and energy were the most heavily damaged sectors, while transport, energy, housing, commerce and industry, and agriculture accounted for the largest long-term recovery needs. Approximately 14 per cent of the housing stock had been damaged or destroyed, affecting more than three million households [1]. These figures are already extraordinary, yet they remain provisional because destruction continued after the assessment's cut-off date.

Physical reconstruction nevertheless captures only one dimension of the problem. Ukraine's most restrictive post-war resource may ultimately be neither construction materials nor financial capital, but people. Even before the full-scale invasion of February 2022, Ukraine faced adverse demographic trends, including population decline, ageing, emigration and very low fertility. The war has sharply intensified these tendencies. The United Nations Country Analysis 2026 describes the interaction of population loss, declining fertility, outward migration, disrupted education, deteriorating health and labour-force contraction as a potential long-term threat to the country's human-capital base [2]. The OECD similarly identifies labour shortages, mobilisation, displacement, population ageing and the eventual post-martial-law transition as major constraints on recovery [3].

The labour-market implications are especially significant. Reconstruction will create exceptional demand for workers in construction, energy, transport, health care, social services, manufacturing, public administration and other sectors precisely when the domestic labour pool may be unusually restricted. The International Labour Organization identifies demographic decline, displacement, labour shortages, skills mismatches and barriers facing veterans, internally displaced persons, returnees, women, youth and persons with disabilities among the central labour-market challenges for Ukraine's recovery [4]. Recent World Bank household monitoring further indicates that war-related disability and veteran labour-market outcomes are already substantial social and economic issues, not merely future concerns [5].

International migration introduces another fundamental uncertainty. Millions of Ukrainians have established lives abroad, while substantial numbers have already returned. IOM estimated in August 2026 that approximately 1.5 million people had returned to Ukraine from abroad since the beginning of the full-scale invasion, including around 1.1 million who reached their habitual place of residence and approximately 398,000 who returned to the country but remained internally displaced [6]. This distinction is critical because physical return does not necessarily imply sustainable social and economic reintegration. At the same time, the experience of forced migrants abroad need not represent a permanent loss. Evidence from refugees returning to the former Yugoslavia shows that foreign work experience can contribute to productivity and export performance when returnees are able to apply knowledge acquired abroad [7].

These challenges will emerge in a country that did not enter the full-scale invasion free of structural weaknesses. Ukraine's pre-war economy was characterised by demographic decline, relatively low income compared with the European Union, weak investment, institutional deficiencies, regional disparities and incomplete economic convergence. At the same time, important reforms had been undertaken after 2014, including decentralisation, anti-corruption institution-building, banking reform and deeper economic integration with the European Union [8,9]. Reconstruction therefore begins neither from a blank institutional slate nor from a stable pre-war equilibrium.

This article develops the concept of the peace exposure effect as an analytical framework for understanding the transition from wartime emergency governance to post-war political economy. The term is introduced here rather than presented as an established category in the reconstruction literature. It denotes the process through which the termination of intensive warfare makes accumulated demographic, social, fiscal and institutional liabilities more visible and politically salient. During war, mobilisation, emergency budgeting, extraordinary international assistance, restrictions on movement and the overriding priority of defence alter labour markets, public spending and political expectations. When these exceptional arrangements begin to recede, governments must simultaneously demobilise, reconstruct, restore ordinary public services, integrate vulnerable populations, manage debt and social expenditure, attract investment and generate employment.

The concept does not imply that peace creates these problems or that continued war could ever be economically preferable. War produces the liabilities; peace changes the institutional environment in which they must be addressed. The phrase fear of peace in the title therefore refers not to a social preference for continued conflict but to a policy paradox: a state may be prepared for war while remaining insufficiently prepared for the burdens that become fully visible once the logic of war no longer organises public life. The danger is not peace itself, but unprepared peace.

Existing research already addresses several components of this problem. Cernea's risks-and-reconstruction model identifies interconnected impoverishment risks associated with involuntary displacement, including lost housing, jobs, health and community ties [10]. Collier and Hoeffler analyse how the timing of aid and domestic policy influences recovery after civil war [11], while the World Bank's conflict-and-development framework emphasises security, legitimate institutions and employment as jointly necessary for recovery [12]. Pierson's account of path dependence explains why the timing and sequence of institutional choices can lock in later outcomes [13]. The proposed peace exposure effect does not rename these established mechanisms. Its narrower contribution is to identify the transition from wartime emergency arrangements to civilian governance as a potential moment when accumulated liabilities, adjustment triggers and rising public expectations converge across sectors. Whether such a convergence actually occurs in Ukraine is a hypothesis for future observation, not an established post-war finding.

The empirical material documents wartime conditions and selected historical adjustments; it cannot directly observe Ukraine's future post-war transition. Accordingly, the article distinguishes documented conditions, mechanism-based expectations and policy proposals. It specifies candidate indicators and rival explanations that future longitudinal research could use to assess the framework, without claiming that the effect has already been causally identified.

The article addresses three research questions. First, which demographic, social, economic and institutional consequences of the war are likely to become particularly important after the transition from wartime mobilisation to post-war governance? Second, what lessons can be derived from previous episodes of reconstruction, forced migration, return migration and internationally supported post-conflict recovery? Third, which combination of domestic reforms and external assistance offers the most plausible framework for transforming post-war reconstruction from the restoration of destroyed assets into sustainable economic and social recovery?

The central argument is that international financial assistance will be necessary but insufficient. Historical experience suggests that large transfers of capital do not automatically generate sustainable recovery. The Marshall Plan mattered not merely through financial transfers but through its interaction with macroeconomic stabilisation,

institutional normalisation and the restoration of incentives for production and trade [14]. Post-war West Germany demonstrates both the possibility and the cost of integrating a massive population shock [15,16], while Bosnia and Herzegovina illustrates the risk that physical reconstruction can advance more rapidly than fiscal self-reliance and economic reintegration [17,18]. For Ukraine, the ultimate test of reconstruction will therefore be whether security, institutions, people and capital can be combined in a way that makes long-term residence, work and investment rational.

2. Methodology and Analytical Framework

This study adopts a qualitative interdisciplinary research design combining a structured review of academic and policy literature, secondary-data synthesis, comparative historical analysis and scenario-based policy analysis. The purpose is not to estimate a single econometric model of Ukraine's post-war development. Such an approach would be constrained by the ongoing nature of the conflict, uncertainty surrounding its duration and territorial outcome, incomplete casualty information, rapidly changing population movements and the absence of definitive post-war demographic data. Instead, the article seeks to identify mechanisms likely to influence recovery and to assess how those mechanisms interact. The unit of analysis is therefore the prospective Ukrainian post-war political economy rather than any single reconstruction programme.

2.1. Evidence Base

The empirical evidence is limited to information publicly available by 10 September 2026. Particular weight is assigned to primary and institutional sources produced by the Government of Ukraine, the World Bank Group, the European Commission, United Nations agencies, the OECD, the ILO, UNHCR, IOM and the IMF. These institutions provide repeatedly updated data on damage, migration, labour markets, living conditions, macroeconomic performance and recovery needs. Key contemporary sources include RDNA5 [1], the United Nations Country Analysis 2026 [2], the OECD Economic Survey of Ukraine [3], the ILO Decent Work Country Programme for Ukraine 2026–2029 [4], World Bank household monitoring [5], IOM analysis of return migration [6], UNHCR's 2026 intentions survey [19] and the IMF's 2026 Article IV consultation and programme review [20].

The second category consists of peer-reviewed research on post-war reconstruction, displacement, labour-market adjustment, institutional change and international assistance. This is a structured, purposive review rather than a systematic review or meta-analysis. Inclusion follows four explicit criteria: (a) direct relevance to at least one hypothesised transition mechanism; (b) a traceable publication and stated evidence base; (c) clear relevance to either contemporary Ukraine or a historically comparable adjustment; and (d) sufficient detail to distinguish observations from interpretation. Ukraine-specific institutional sources are used for time-stamped baseline conditions; peer-reviewed studies are used to identify mechanisms and limits of transfer. Contradictory findings and population differences are retained rather than resolved by assuming universal applicability. No comprehensive database search log, formal quality score or pooled effect estimate was produced; the review must not be interpreted as an exhaustive survey of all relevant literature.

2.2. Analytical Dimensions

The analysis distinguishes five interrelated dimensions of post-war vulnerability. The demographic dimension concerns mortality, fertility, ageing, international migration, internal displacement and the spatial redistribution of population. The human-capital and labour-market dimension examines labour availability, skills shortages, veterans, persons with war-related disabilities, return migrants, women, older workers and occupational mismatch. The social

dimension concerns households affected by death, disability, displacement, disrupted education, caring responsibilities, poverty and psychological trauma, together with the capacity of health and social-protection systems to respond. The material and macroeconomic dimension covers infrastructure destruction, productive capacity, housing, energy, transport, fiscal sustainability, public debt, external financing and private investment. The institutional and territorial dimension includes governance capacity, the rule of law, local government, European integration, territorial uncertainty and investor confidence.

These dimensions are treated as mutually dependent. Housing influences refugee return; return affects labour supply; labour supply shapes reconstruction capacity and tax revenues; tax revenues influence social-policy sustainability; institutional quality affects investment; and security affects almost every relationship simultaneously. The analysis therefore avoids treating demographic, fiscal and infrastructure policies as independent sectors.

2.3. Comparative Historical Analysis

Historical comparison is used to identify mechanisms rather than to assume that previous reconstruction models can be transferred directly to Ukraine. Four comparative experiences are emphasised. Western Europe after the Second World War provides evidence on the interaction of international assistance, stabilisation, labour-force expansion and productivity. West Germany provides a case of extraordinary forced population inflows and their long-run effects on labour markets and local public finance. Bosnia and Herzegovina illustrates the distinction between rapid physical reconstruction and slower institutional and fiscal normalisation. The former Yugoslav refugee experience provides evidence on the possibility of knowledge diffusion through return migration [7,14,15,17,21].

The cases are selected for analytical relevance rather than superficial similarity. None represents a direct template for Ukraine. The comparison asks instead whether mechanisms identified in previous cases—such as labour-market absorption, aid dependence, migration-based knowledge transfer or institutional stabilisation—are plausibly relevant under Ukrainian conditions.

2.4. Scenario Approach

Because the timing and political conditions of the end of the war remain unknown, the article avoids a single deterministic forecast. Recommendations are evaluated against alternative conditions concerning security, territory, population return and external assistance. Territorial outcomes are treated particularly cautiously. No assumption is made that the final *de facto* territorial configuration will correspond either to current lines of control or to Ukraine's internationally recognised borders. The analysis therefore distinguishes legal sovereignty from effective post-war control and evaluates economic implications conditionally.

Refugee return is similarly treated as a variable rather than an automatic post-war event. A high-return scenario would increase labour supply, consumption and the domestic tax base but would simultaneously create large immediate demand for housing, schools, health care and employment. A low-return scenario would reduce some short-term pressure on public services but intensify demographic decline, labour shortages and long-term fiscal pressure. External assistance is also considered in several forms, ranging from continued emergency support to a more comprehensive architecture combining grants, concessional finance, guarantees and private capital.

2.5. Conceptual Framework: The Peace Exposure Effect

The principal conceptual contribution is the proposed peace exposure effect, defined as a transition-associated increase in the administrative, fiscal or political salience of liabilities that were generated during conflict but partly deferred, masked or managed through emergency arrangements. Its unit of observation is a specified liability within

a sector and institution over time, not “peace” or national GDP in the abstract. The concept has three necessary elements: an identifiable wartime stock or flow of liability, a plausible transition trigger linked to the modification of a wartime arrangement, and an observable change in the liability’s salience or treatment after that trigger. The effect is neither a synonym for all post-war costs nor a claim that the absolute social harm must rise following peace. The concept draws on the established literature on displacement-related risks [10], post-conflict aid absorption [11], legitimate institutional transition [12] and path-dependent sequencing [13] but proposes a distinct cross-sector timing hypothesis.

The framework therefore proposes that the end of hostilities may initially increase the visibility and fiscal salience of accumulated liabilities even while reducing physical destruction. This distinction is central to the article's argument. The concept does not suggest that peace is economically harmful; rather, it highlights the institutional transition through which the consequences of war become part of ordinary governance.

2.6. Operational Criteria and Candidate Indicators

For a future test, each proposed instance of the peace exposure effect should satisfy three coding requirements. First, the liability must be documented before the relevant transition (for example, a rehabilitation need, an existing displacement stock or a contingent fiscal obligation). Second, a defined institutional trigger must occur (such as demobilisation, the lifting of a mobility restriction, conversion of an emergency programme or withdrawal of exceptional financing). Third, comparable measures must show a change in administrative demand, fiscal recognition, social claims or policy response after the trigger. Recording higher spending alone would not suffice: it could reflect better service provision, inflation or delayed programme implementation rather than a deterioration in welfare. A fourth, interpretive step is to assess rival explanations, including continuing attacks, seasonal variation, pre-war trends, changes in population denominators, administrative reclassification and new donor programmes. These are proposed identification rules, not results from a completed post-war test.

Table 1 translates the framework into observable domains. A prospective study could establish a pre-transition baseline of up to 24 months where data permit and track quarterly or annual changes for 36 months after each sector-specific trigger. Different triggers may occur on different dates; a ceasefire date alone is not an adequate common treatment date. Data coverage, territorial comparability and major contemporaneous shocks should be reported for every indicator.

Table 1. Operational criteria and candidate indicators of the peace exposure effect.

Domain / wartime liability	Potential transition trigger	Candidate indicator(s)	Key rival explanation / limitation
Veterans and disability; accumulated care and job-transition needs	Demobilisation and transfer from military to civilian services	Civilian rehabilitation waiting time; veteran employment at 6/12/24 months; annual disability-service obligations	New eligibility rules or improved case registration may raise counts without new harm.
Migration; prolonged family separation and displacement	Relaxation of mobility rules; change in temporary-protection status	Net cross-border flows by age/sex; durable residence after 12 months; vacancy-to-worker ratios by region	Host-country policy shifts and continuing insecurity may dominate the effect.
Public finance; deferred care and asset-maintenance commitments	Conversion of emergency grants; initiation of long-term benefit or maintenance schemes	Multi-year spending commitments as share of revenue; budget execution; operating cost of rebuilt assets	Inflation, revenue collapse or broader macroeconomic shocks could explain fiscal pressure.

Services and settlements; damaged capacity and unmet demand	Return flows and restoration of civilian municipal responsibility	School/clinic service load per resident; housing availability; time to restore water/electricity	Population movements and shifts in geographical coverage affect denominators.
Institutions and investment; temporary procurement and risk arrangements	Withdrawal of wartime exemptions; normalisation of commercial finance	Procurement execution time; project completion; new private investment; insured/uninsured project ratio	Reform, donor rules and security changes may alter these outcomes independently.

2.7. Integration of Historical Cases

The same mechanism is examined across historical cases using a common sequence: initial stock of disruption, institutional transition, adjustment channel, observed outcome and the conditions limiting transfer. A case is treated as evidence of a mechanism only when its source reports that mechanism rather than merely describing overall recovery. Post-1945 Western Europe informs the complementarity of finance, labour and institutional stabilisation; West Germany informs population absorption and local fiscal pressure; Bosnia and Herzegovina informs the gap between infrastructure repair and fiscal or labour-market normalisation; and former Yugoslav return migration informs conditional knowledge transfer. Each analogy is bounded by differences in conflict type, security guarantees, settlement regimes, migration policy and EU integration prospects. The comparison generates conditional propositions for Ukraine and does not establish that the same outcomes will occur there [7,14,15,17].

2.8. Evidentiary Status and Analytical Inference

Claims in the study are assigned one of three interpretive statuses. Observed finding refers to a measurement or documented historical result with its original place, period and population identified. Conditional mechanism refers to a reasoned expectation that depends on explicit triggers and contextual conditions; these statements are not forecasts or demonstrated causal effects for post-war Ukraine. Policy proposition refers to a recommended response selected on grounds of feasibility, reversibility, equity and potential contribution to the proposed outcome, not to experimentally established superiority. Policy indicators in Section 7 are monitoring proposals and must not be read as quantified targets or ex ante treatment-effect estimates. The framework would be weakened if salience did not change around relevant triggers, if changes were fully explained by unrelated shocks, or if improved administrative recognition alone explained apparent increases in measured liabilities.

2.9. Limitations

Several limitations must be acknowledged. First, the war remains ongoing at the analytical cut-off, and all estimates of damage, population, migration and reconstruction requirements remain provisional. Second, military casualty data are politically and methodologically sensitive and cannot currently be treated as complete observations. The article therefore avoids deriving precise demographic projections from uncertain estimates of combat deaths. Third, Ukrainian population statistics are complicated by long-term demographic decline, occupation, repeated displacement, migration and the absence of a recent conventional census. Fourth, historical analogies have intrinsic limits because the security, institutional and geopolitical conditions of Western Europe, post-war Germany and Bosnia differ significantly from those of contemporary Ukraine. Finally, no reconstruction strategy can be evaluated independently of the security environment. Persistent insecurity would influence return migration, investment, insurance, infrastructure design, regional settlement patterns and defence expenditure. A further limitation is that proposed indicators may measure recognition or service uptake rather than a rise in underlying hardship; future

research would need transparent baselines, consistent geographical coverage and comparison against continuing pre-transition trends. No post-war validation or causal attribution is claimed here.

3. Ukraine before 2022: Structural Vulnerabilities before the Full-Scale Invasion

Ukraine did not enter the full-scale war from a stable demographic, economic or institutional equilibrium. A number of vulnerabilities that are likely to constrain post-war reconstruction had developed over decades and were already clearly visible before 2022. These included long-term population decline, low fertility, outward labour migration, ageing, relatively low productivity and income levels, insufficient investment, institutional weaknesses and substantial regional disparities. At the same time, the period after 2014 also produced significant reforms and institutional adaptation. Understanding this dual legacy is essential because post-war reconstruction should neither romanticise the pre-2022 baseline nor ignore capacities developed before and during the war.

3.1. A Demographic Crisis that Predated the War

Ukraine's demographic decline began long before the full-scale invasion. The OECD notes that the population had been falling since the 1990s as a result of low fertility, ageing and net emigration, with the decline amounting to roughly 300,000 persons per year over several decades under its pre-war estimates [3]. The precise population level is subject to uncertainty, particularly because Ukraine's last conventional census was conducted in 2001, but the direction of the long-term trend is unambiguous. Low fertility was already severe before the invasion, and the working-age population was declining relative to older cohorts. The pension system and public finances therefore faced long-term demographic pressure even before wartime mortality, displacement and further fertility decline were added to the equation.

The significance of this pre-existing demographic weakness is difficult to overstate. Wartime deaths, outward migration and reduced births do not occur in a demographically neutral population; they compound a process already under way. This creates an asymmetry between physical and demographic reconstruction. Destroyed infrastructure can in principle be replaced through investment over a limited period. Missing cohorts, permanent emigration and premature death produce effects lasting decades. Demographic losses are therefore path-dependent and cannot be treated as another item in a reconstruction budget.

3.2. Pre-War Migration and the Labour Market

Large-scale migration to European labour markets also preceded 2022. Wage differentials, uneven domestic opportunities and established migrant networks encouraged Ukrainians to work abroad, particularly in neighbouring EU member states. OECD regional analysis documented substantial internal wage disparities and long-standing outward migration before the full-scale invasion [8]. Migration provided household income through wages and remittances but also reduced the domestic availability of working-age labour and created networks that subsequently made wartime displacement easier to sustain abroad.

This historical background changes the post-war return problem. Refugees did not arrive in host countries in the absence of Ukrainian communities, labour-market links or family networks. Over time, wartime migrants have accumulated additional local attachments through employment, schools and housing. Return will therefore depend not only on whether the war ends, but on the comparative quality of life available in Ukraine and abroad. A post-war strategy that assumes patriotic attachment will override employment, housing, education and security considerations would underestimate the economic logic of household decision-making.

3.3. Incomplete Economic Convergence and Low Investment

Ukraine also entered the invasion with a long record of disappointing economic convergence. Despite a comparatively educated population, significant agricultural and industrial capacity, geographic proximity to the European Union and a large domestic market, long-term productivity performance remained weaker than in many Central and Eastern European transition economies. The World Bank's Ukraine Growth Study identified low investment and weaknesses in the investment climate as major constraints on productivity growth and noted that much of the inherited capital stock remained associated with ageing industrial structures [22]. Ari and Pula [9] similarly identify weak institutions—especially the legal system, market competition and financial development—as key constraints on long-term growth.

The investment deficit has direct implications for reconstruction. The post-war challenge is not merely to replace capital destroyed after February 2022. In some sectors, it will also involve capital that was obsolete, energy-intensive or poorly integrated with European markets before the invasion. Rebuilding such assets exactly as they were could reproduce pre-war inefficiencies. Reconstruction therefore creates a choice between restoration and modernisation, with potentially large implications for energy efficiency, transport integration, digitalisation and industrial competitiveness.

3.4. Institutional Weaknesses and Reform Capacity

Corruption, weak rule-of-law institutions and concentrated economic power constituted another major pre-war constraint. IMF analysis before the full-scale invasion identified corruption and institutional weakness as important barriers to investment and productivity [9,23]. Yet the institutional picture by 2021 was not one of complete stagnation. Following 2014, Ukraine established specialised anti-corruption institutions, implemented banking reforms, expanded digital public procurement and strengthened parts of its governance architecture. These developments were incomplete and contested, but they demonstrate that substantial institutional reform was possible.

This distinction matters for reconstruction. Hundreds of billions of dollars of future expenditure will pass through procurement decisions, compensation programmes, infrastructure projects, land transactions and public-private partnerships. Institutional quality is therefore not a secondary reform to be addressed after construction begins; it is part of the infrastructure of reconstruction itself. Effective procurement, audit, courts and anti-corruption institutions can transform external assistance into productive investment, while weak institutions can convert the same inflows into rent-seeking, inefficient allocation and donor fatigue.

3.5. Regional Inequality, Decentralisation and Economic Geography

Ukraine's economic geography was already highly uneven before 2022. The OECD documented increasing concentration of economic activity around Kyiv alongside regional differences in wages, population trends, infrastructure and administrative capacity [8]. After 2014, decentralisation reforms strengthened many municipalities by increasing fiscal and administrative responsibilities, but capacity remained uneven, particularly in smaller and rural communities. The same reforms nevertheless created a local institutional base that has proved important during wartime and will be central to reconstruction.

Post-war regional policy will face challenges substantially greater than those visible before the invasion. Some communities may confront near-total destruction, mine contamination, population loss or the disappearance of their previous economic base, while safer central and western regions may retain relocated firms and displaced populations. The future geography of production and settlement may therefore differ fundamentally from that of 2021.

Reconstruction policy will have to balance the desire to restore affected regions with the economic reality that people and firms may not return in their previous distribution.

3.6. The Legacy of the Conflict since 2014

The term pre-war Ukraine requires an additional qualification because armed conflict did not begin in 2022. Russia's occupation of Crimea and the conflict in the Donbas from 2014 had already disrupted industrial and trade networks, created internally displaced populations, increased defence expenditure and altered Ukraine's economic relationships with Russia. The period from 2014 to 2021 was consequently one of both vulnerability and adaptation. Ukraine redirected more trade toward the European Union, strengthened defence capacity, deepened decentralisation and developed new anti-corruption institutions. This experience provides evidence that economic and institutional adaptation can occur under severe geopolitical pressure, but it also demonstrates that a reduction in fighting does not automatically restore normal economic conditions when security uncertainty persists.

3.7. The Reconstruction-to-Baseline Fallacy

Taken together, these conditions suggest that a return to the 2021 baseline would not constitute successful recovery. Ukraine would return to a society already experiencing demographic decline, outward migration, insufficient investment, relatively low productivity and incomplete institutional transformation. This article therefore refers to the reconstruction-to-baseline fallacy: the assumption that replacing destroyed assets and restoring pre-war macroeconomic indicators would be sufficient. The appropriate objective is instead reconstruction through transformation, in which post-war investment addresses both the destruction generated by the war and structural weaknesses that pre-dated it.

4. The Accumulated Human and Material Cost of the Full-Scale War

The full-scale invasion has transformed the structural vulnerabilities described above into a multidimensional crisis affecting population, human capital, physical infrastructure, public services, productive capacity and the geographical organisation of the economy. Measuring this impact is inherently difficult while hostilities continue. Some losses can be estimated with reasonable precision, particularly damage to infrastructure in territories accessible to Ukrainian authorities, while others—including military casualties, population losses in occupied territories, indirect mortality, long-term disability and permanent migration—remain subject to substantial uncertainty. The figures presented below should therefore be interpreted as provisional rather than final. Even with that limitation, the evidence available by 10 September 2026 demonstrates that Ukraine's eventual post-war challenge will extend far beyond replacing destroyed assets.

4.1. Human Losses and the Problem of Measurement

The most consequential losses of war are among the most difficult to measure economically. Buildings, roads and machinery can be assigned replacement costs, whereas the death of an individual cannot. From a macroeconomic perspective, however, mortality also represents the loss of accumulated education, professional experience, future labour, tax revenue and, in many cases, future births. Verified civilian casualty figures provide only a partial measure of this burden. OHCHR continued to document substantial civilian deaths and injuries throughout 2026 and repeatedly stressed that verified figures understate the true toll because many cases, particularly in occupied and heavily contested areas, cannot be independently confirmed [\[24-26\]](#).

Military fatalities and serious injuries are even more difficult to incorporate into rigorous demographic analysis. Public estimates vary considerably and cannot be treated as definitive while the war continues. This article therefore adopts a deliberately conservative approach: military deaths and permanently disabling injuries are treated as a major but incompletely quantified demographic shock rather than assigned a single authoritative figure. The distinction is important because apparently precise casualty estimates could create false confidence in subsequent projections of labour supply, fertility, dependency ratios and pension expenditure.

The economic effect of mortality also depends on who is lost. The armed forces draw heavily from working-age cohorts, and the death or severe injury of an experienced engineer, doctor, teacher, entrepreneur, technician or skilled worker removes not only one individual from population statistics but also years of accumulated human capital. In a country already facing demographic contraction before 2022, wartime mortality accelerates an existing structural problem rather than creating an isolated temporary shock.

4.2. Displacement and the Redistribution of Population

The war has generated one of the largest episodes of forced displacement in contemporary Europe. Millions of people remain displaced inside Ukraine and millions more live abroad under various forms of protection. This movement has altered the spatial distribution of labour, household demand and local public-service requirements. The composition of displacement also matters: migration is selective by age, gender, family status, resources, occupation and legal mobility. Aggregate refugee numbers therefore cannot by themselves describe the long-term effect on the labour force.

Children are especially important because temporary displacement can become a permanent transfer of future workers and future families. UNICEF reported in February 2026 that more than one-third of Ukraine's children—approximately 2.59 million—remained displaced, including more than 791,000 inside Ukraine and almost 1.80 million abroad [27]. If substantial numbers complete education abroad and later enter foreign labour markets, the demographic effect will extend far beyond the departure of their parents. Conversely, children who remain connected to Ukraine while receiving high-quality education abroad could become an important future source of language skills, professional networks and international experience.

4.3. Return Does Not Necessarily Mean Reintegration

Population movement has not been exclusively outward. IOM's August 2026 report estimated that approximately 1.5 million people had returned to Ukraine from abroad since the start of the full-scale invasion. Around 1.1 million had reached their habitual place of residence, while approximately 398,000 had returned to the country but remained internally displaced [6]. The distinction demonstrates why return should not be treated as a binary statistical category. Crossing the national border does not necessarily mean returning home, finding employment or achieving stable reintegration.

Return sustainability depends on housing, employment, income, energy, health, education and local service availability. A person originating from an occupied, mined or heavily destroyed settlement may return to Ukraine without being able to return to the place from which he or she was displaced. A large-scale post-war return could therefore produce a second stage of internal redistribution, with pressure concentrated on Kyiv and relatively secure western and central cities. The appropriate policy objective is not merely high return numbers but sustainable return measured by stable residence, employment, service access and the absence of repeated displacement or renewed emigration.

This produces what may be termed the return-reconstruction dilemma. Reconstruction requires people, yet people may require substantial reconstruction before they are willing to return. The relationship is circular: housing, schools, health care and employment increase return, while population return raises the utilisation and fiscal viability of reconstructed services.

4.4. Veterans, Disability and Labour-Force Transformation

The war has created a large and growing veteran population whose transition to civilian life will influence labour markets, health care, education, housing, social expenditure and political expectations. Veterans are heterogeneous. Many will return to employment without extensive assistance; others will require retraining, recognition of military-acquired skills, rehabilitation, adapted workplaces or long-term health support. The central economic challenge is to prevent military service from becoming a mechanism of permanent labour-market exclusion.

World Bank monitoring of living conditions indicates that veterans can experience substantial employment disruption despite relatively high educational attainment. The same source also documents a significant burden of war-related disability within Ukrainian households, with lower-income households disproportionately affected [5]. Disability creates economic effects beyond the injured individual because severe care requirements can reduce the labour-force participation of spouses, parents or other relatives. In a labour-scarce economy, rehabilitation, accessibility and adapted employment are therefore productive investments as well as social obligations.

A modern disability strategy can substantially reduce the economic loss associated with injury. Prosthetics, rehabilitation, accessible transport, workplace adaptation, flexible employment and anti-discrimination measures determine whether disability results in complete exclusion or continued participation. Ukraine cannot afford to treat accessibility as a secondary welfare objective to be introduced after reconstruction; it should be embedded in reconstruction standards from the beginning.

4.5. Family Disruption and Deferred Human Liabilities

War transforms household structures through death, injury, mobilisation, separation and displacement. The eventual national number of widows, bereaved parents, children deprived of parental care and households permanently deprived of a principal earner cannot yet be established reliably. Nevertheless, the fiscal and social consequences will extend far beyond immediate survivor payments. The loss or severe disability of a household member can alter income, child-care arrangements, educational opportunities, labour supply and intergenerational support for many years.

These costs are difficult to observe because they are distributed across future budgets and household decisions. This article refers to them as deferred human liabilities: war-generated obligations and economic losses whose fiscal and macroeconomic significance persists or becomes more visible after the immediate military emergency has ended. A destroyed bridge generates an obvious reconstruction invoice. A severely injured person may require rehabilitation, health care, income support, accessible housing and pension benefits for decades. A child whose education is disrupted may generate lower lifetime earnings and tax revenue. A refugee who settles permanently abroad represents future labour, consumption and tax capacity that may never return.

4.6. Education and the Risk of a Lost Human-Capital Cohort

Education is one of the least visible forms of wartime destruction. Ukrainian children experienced pandemic-related disruption before the full-scale invasion added displacement, damaged schools, air-raid interruptions, online learning and psychological stress. RDNA5 estimated very large direct damage and recovery requirements in the

education and science sector, but rebuilding school buildings cannot itself restore lost learning [1]. The human-capital consequences may persist for decades if cohorts enter adulthood with weaker skills than they would otherwise have acquired.

The interaction between education and migration is particularly important. Children educated abroad may acquire valuable language and professional skills, but successful integration into foreign education systems also increases the probability that they will later study and work abroad. Ukraine consequently faces two linked tasks: recovering learning among children who remain in the country and maintaining meaningful educational and economic links with those growing up abroad.

4.7. Health, Rehabilitation and the Long Tail of War

The health consequences of war will continue long after physical fighting stops. WHO estimated that 4.1 million people would require health assistance in 2026 and that mental-health needs affected approximately 10 million people, while rehabilitation demand substantially exceeded existing capacity [28]. The health system has also operated under repeated attacks on facilities, personnel and medical infrastructure [29]. The post-war health baseline may therefore differ fundamentally from the pre-war one, with much larger demand for rehabilitation, prosthetic services, psychological treatment and chronic care.

Mental health is particularly relevant to economic recovery because trauma, depression, anxiety and bereavement can influence employment, productivity, family stability and children's ability to learn. These effects may become more visible after immediate survival pressures decline and individuals are expected to resume ordinary civilian roles. The peace exposure effect therefore applies not only to fiscal obligations but also to psychological consequences whose full social impact may emerge during demobilisation and reintegration.

4.8. Housing and the Geography of Return

Housing is the largest single category of direct physical damage identified by RDNA5. By the end of 2025, approximately 14 per cent of the housing stock had been damaged or destroyed, affecting more than three million households; direct housing damage exceeded USD 61 billion and long-term recovery needs approached USD 90 billion [1]. Housing connects almost every major reconstruction problem. Without housing, displaced households cannot return; without returning households, businesses may lack workers and customers; municipalities cannot rebuild stable tax bases; and schools and health systems cannot plan future capacity.

Housing reconstruction should therefore be treated as labour-market and demographic infrastructure as well as social policy. At the same time, rebuilding every destroyed settlement to its pre-war scale may not be viable. Some communities may experience permanent population decline, elevated security risk or the disappearance of their previous economic base. Post-war housing policy will have to balance the right to return with the viability of return, a distinction that is politically sensitive but economically unavoidable.

4.9. Energy, Transport and Productive Infrastructure

RDNA5 estimated exceptionally large damage and recovery needs in energy and transport. Energy assets continued to suffer attacks through 2025, while transport needs rose sharply because of damage to railways, ports and logistics infrastructure [1]. These systems determine whether hospitals can operate, households can remain in particular regions, firms can produce and exporters can reach markets. Their reconstruction therefore has multiplier effects far beyond the value of the assets themselves.

The destruction also creates an opportunity for transformation. Rebuilding centralised energy infrastructure exactly as before could reproduce vulnerability to future attacks. Greater decentralisation, storage, energy efficiency and integration with the European electricity system can improve resilience. Transport reconstruction can similarly accelerate reorientation toward EU markets. The principle of build back better is therefore economically relevant rather than merely rhetorical where replacement decisions determine the country's technological structure for decades.

4.10. Agriculture, Land and Explosive Contamination

Agriculture faces a distinctive combination of destroyed assets, disrupted logistics and land that may remain unusable because of mines and unexploded ordnance. RDNA5 estimated large agricultural recovery needs and almost USD 28 billion for explosive-hazard management and debris clearance [1]. A territory can therefore be under state control without being economically or socially usable at acceptable risk. This distinction will be especially important in rural recovery, where the restoration of productive land may take years after active fighting has ended.

4.11. From Reconstruction Finance to Absorptive Capacity

The interaction between material destruction and human depletion creates what may become the central economic contradiction of post-war Ukraine. Reconstruction on the scale described above will require enormous numbers of construction workers, engineers, technicians, project managers, medical professionals, teachers, social workers and administrators. Yet the war has reduced precisely the population from which this labour must be drawn. The ILO and OECD both identify labour shortages and skills mismatches as major constraints on recovery [3,4].

Financial assistance alone therefore cannot solve the reconstruction problem. If Ukraine receives hundreds of billions of dollars but lacks sufficient labour and administrative capacity, part of the finance may translate into wage inflation, construction bottlenecks, delays, imported labour or competition between reconstruction and ordinary economic activity. The constraint shifts from capital to absorptive capacity. Refugee return, veteran and disability inclusion, higher female and older-worker participation, vocational education, automation and potentially managed immigration become macroeconomic issues rather than isolated social policies.

4.12. Five Interacting Post-War Deficits

The war has therefore created more than a single reconstruction gap. Ukraine faces a physical-capital deficit, consisting of destroyed housing, infrastructure and productive assets; a human-capital deficit, produced by deaths, injuries, ill health and disrupted education; a population deficit, resulting from demographic decline and potentially permanent emigration; a social-capacity deficit, as institutions confront unusually large populations requiring rehabilitation and assistance; and a confidence deficit affecting households and investors. These deficits interact. Money can rebuild housing, but without confidence households may not return to occupy it. Workers may return, but without schools, health care and energy their families may not remain. Investors may provide capital, but without workers or legal predictability their projects may fail. Sustainable reconstruction therefore requires human and physical recovery to proceed simultaneously.

5. The Problems That Peace Will Reveal

The cessation of large-scale hostilities would constitute the most important positive turning point for Ukraine since the full-scale invasion, yet from the perspective of political economy it should not be conceptualised as a simple transition from crisis to normality. It would initiate a period of profound adjustment in which institutions, households,

firms, labour markets and public finances move from systems organised around national survival toward systems expected to deliver ordinary economic and social outcomes. Some pressures would decline immediately, particularly the continuous destruction of capital and direct loss of life, but others would become more visible because military necessity could no longer explain or postpone them. The resulting simultaneous adjustment in demobilisation, migration, public expectations, reconstruction, social obligations and external financing constitutes the core of the peace exposure effect.

5.1. Peace as an Economic Discontinuity

The wartime economy has developed structures that cannot simply continue indefinitely. Defence dominates public expenditure, mobilisation removes working-age people from ordinary activity, external transfers sustain the fiscal position, mobility restrictions influence household decisions and firms adapt production to military needs. The end of martial law would alter several of these mechanisms at approximately the same time. The OECD explicitly notes that demobilisation and the removal of travel restrictions on conscription-age men will create new labour-market challenges when martial law ends [3].

The transition will also change political expectations. During active warfare, citizens may accept shortages, damaged infrastructure, exceptional taxation and lower consumption as consequences of national defence. Once intensive fighting ceases, households are likely to expect visible improvements in income, housing, services and freedom of movement. Governments may therefore face pressure to produce a rapid peace dividend even though fiscal and demographic capacity remains constrained. The political risk is not that peace worsens material conditions relative to war, but that expectations improve faster than institutions can deliver.

5.2. The Demobilisation Shock

Demobilisation should eventually increase civilian labour supply, but the process will be heterogeneous and difficult. Some soldiers will return to previous jobs; others will find that employers, homes or entire local labour markets no longer exist. Some will possess military-acquired technical and organisational skills that civilian institutions fail to recognise, while others will require long-term rehabilitation. ILO policy already treats veteran reintegration as a central labour-market issue [4]. The relevant objective is therefore not administrative release from military service but economic and social reintegration.

Ukraine may face the unusual combination of aggregate labour scarcity and individual unemployment. The economy can desperately need workers while individual veterans remain unemployed because available jobs are geographically distant, require different skills, cannot accommodate disability or provide insufficient wages for relocation. Demobilisation policy must consequently connect skills recognition, vocational education, rehabilitation, housing, mobility, employment services and entrepreneurship rather than treating them as separate programmes.

5.3. The End of Mobility Restrictions and a Possible Second Migration Wave

The end of martial law could increase labour supply through demobilisation and reduce it through renewed outward migration. Men who were unable to leave during the war may decide to reunite with spouses and children abroad, seek employment, obtain medical care or preserve a security option outside the country. This possibility is acknowledged explicitly by the OECD [3]. Post-war migration should therefore not be modelled solely as a return flow into Ukraine; mobility may increase in both directions.

Family reunification may be particularly important. Households separated for several years will have to decide where they will re-establish common residence. If children are embedded in foreign schools and adults in foreign

labour markets, reunion may occur outside Ukraine. Restricting mobility after the military rationale disappears would be legally and economically problematic. The sustainable response is therefore to make remaining or returning more attractive rather than to rely on continued restrictions.

5.4. Refugee Return and the Absorptive-Capacity Problem

Return can substantially improve labour supply, domestic demand and the tax base, but it also creates immediate demand for housing, schools, health care, utilities and employment. The relationship between return and reconstruction is therefore conditional on absorptive capacity. IOM's 2026 evidence demonstrates that hundreds of thousands of people who returned from abroad remained internally displaced, often because their original communities were unavailable or non-viable [6].

Large return flows could produce severe geographic imbalances. Safer metropolitan areas and western and central cities may attract people whose homes cannot be reoccupied, placing pressure on housing and services, while heavily reconstructed locations closer to security risks may fail to attract sufficient population. Planning decisions must therefore be made before future population distribution is known. Policy should focus less on gross return numbers and more on durable reintegration measured by stable housing, employment and service access.

5.5. Competing Claims on the Post-War State

War can temporarily simplify political priorities by creating an overriding common objective. Peace restores distributive politics. Veterans, bereaved families, internally displaced persons, returning refugees, residents of destroyed communities, pensioners, families with children and households that lost property may all possess legitimate but competing claims on public resources. These claims will emerge while municipalities demand reconstruction funding, businesses seek credit and public-sector workers expect wage normalisation. Many households will belong to several categories simultaneously.

The post-war welfare state must therefore perform two functions: recognise and compensate genuine loss while restoring productive participation wherever possible. A system focused exclusively on compensation risks fiscal unsustainability and long-term exclusion; one focused only on activation risks appearing indifferent to sacrifice and trauma. The legitimacy of the social settlement will depend on transparent rules and the ability to avoid permanent political divisions between wartime categories of citizens.

5.6. The Peace-Dividend Trap

The fiscal consequences of peace may be counterintuitive. Some reduction in military expenditure could create fiscal space, but security spending may remain structurally high, especially under an incomplete settlement. At the same time, the state will face reconstruction, veteran support, disability, demining, education recovery, health care and infrastructure maintenance. IMF analysis in 2026 continued to show exceptionally large fiscal deficits and financing needs supported by external resources [20]. Ukraine is therefore unlikely to experience a conventional peace dividend in which defence spending simply falls and ordinary consumption expands.

This creates a peace-dividend trap: public expectations that the end of war will rapidly free fiscal resources collide with the reality that wartime spending is replaced partly by deferred human and reconstruction liabilities. Post-war tax policy will be politically delicate for the same reason. Citizens who accepted extraordinary wartime taxation may expect it to disappear, even though the fiscal need for exceptional revenue remains. Continued taxation will therefore require visible reconstruction outcomes, transparency and confidence that funds are not captured through corruption or inefficient spending.

5.7. International Assistance after the Emergency

Ukraine's wartime macroeconomic stability has depended heavily on external support. The post-war question is not whether assistance will remain necessary, but how it will change when the emergency loses political immediacy. International commitments must last much longer than the news cycle or electoral term of any donor government. Historical evidence from Bosnia demonstrates the danger of both an aid cliff and prolonged aid dependence [18], [30]. Ukraine therefore needs a financing transition in which grants and concessional support gradually give way to domestic revenue, international financial institutions, guarantees and private capital rather than disappearing abruptly.

The European Union's Ukraine Facility provides up to EUR 50 billion for 2024–2027 and links financial support with reform and accession-related objectives [31]. By June 2026, commitments under the Ukraine Investment Framework were expected to mobilise nearly EUR 26 billion in public and private investment [32]. These mechanisms illustrate the potential shift from assistance that directly substitutes for Ukrainian fiscal capacity toward assistance that mobilises productive investment.

5.8. Private Capital and the Security Constraint

Private investment will be essential because reconstruction needs exceed what public budgets can finance. Investors, however, will evaluate expected returns relative to security, legal, currency and institutional risk. A ceasefire does not automatically create credible long-term security. IMF analysis emphasises that inadequate security guarantees would weaken investment, refugee return and medium-term growth [20]. Security should therefore be understood as an economic input into reconstruction rather than as a separate geopolitical issue.

Risk-sharing mechanisms can bridge part of this gap. In June 2026, the World Bank Group and the U.S. International Development Finance Corporation established a framework for coordinating political-risk insurance, while MIGA had issued USD 948 million in political-risk insurance for Ukraine since February 2022 [33]. Such instruments can compensate for extraordinary geopolitical risk. They should not become permanent compensation for avoidable governance risk, which must instead be reduced through courts, competition, transparent regulation and anti-corruption reform.

5.9. Territorial Outcomes and an Incomplete Peace

Territorial uncertainty is one of the most difficult components of post-war planning. At the time of writing, no responsible analysis can assume the final de facto territorial configuration. Internationally recognised sovereignty and territory effectively controlled by the Ukrainian government must therefore remain analytically distinct. Different outcomes would produce different implications for population, agriculture, industry, ports, transport corridors, energy systems and regional reconstruction priorities.

The economic consequences cannot be separated entirely from moral and political consequences. Territory is not simply a bundle of assets; it is also home to displaced populations with property rights, identity and expectations of return. If some areas remained outside effective Ukrainian control, the state would confront questions of property claims, compensation, citizenship, representation and long-term support for displaced communities. Post-war planning must therefore distinguish legal sovereignty, effective control, economic usability and viable human settlement rather than treating them as synonymous.

5.10. The Moral Economy of Reconstruction

The end of war will transform how society evaluates sacrifice and compensation. Households that lost relatives, homes, health, income or years of education will possess legitimate claims that cannot all be fully satisfied.

Reconstruction therefore creates a moral economy: a set of expectations about who deserves what after highly unequal exposure to war. The administrative conversion of immeasurable losses into compensation categories will inevitably create boundaries between those who qualify for assistance and those who do not.

Procedural fairness is therefore central. Full compensation may be impossible, but transparent and consistently applied rules can preserve legitimacy. Arbitrary allocation, corruption or political patronage could have consequences extending well beyond the money directly lost because they would undermine confidence in the post-war state and discourage both return and investment.

5.11. Social Cohesion after Unequal Wartime Experiences

The war has generated strong national solidarity while producing radically different personal experiences. Some citizens served for years at the front, others lived under occupation or close to combat, millions spent years abroad, and still others remained in safer parts of the country. Peace may expose tensions over who fought, who left, who avoided service, who lost property and who receives reconstruction benefits. Such tensions are not inevitable, but policy can intensify them if administrative categories become permanent social identities.

Targeted support will remain necessary, yet the long-term objective should be reintegration into common institutions. Veterans may require specialised rehabilitation but should ultimately participate in the ordinary labour market; returnees may require temporary housing assistance but should transition into standard municipal services; internally displaced children may require educational support without being administratively defined by displacement throughout adulthood. Post-war social policy should therefore combine targeted compensation with universal institutions wherever feasible.

5.12. EU Accession as an External Anchor

Ukraine possesses an advantage absent from many post-conflict cases: reconstruction can be connected to a credible process of integration with the European Union. The EU accession process provides an external reference point for reforms in competition, public procurement, financial regulation, environmental standards, energy, labour law, state aid and judicial institutions. The Ukraine Facility already links disbursements with implementation of reform commitments and the Ukraine Plan [31,34].

This linkage can help resolve a classic sequencing problem. Reconstruction creates political pressure to spend quickly, while institutional reform requires scrutiny, conditionality and administrative effort. EU accession can make these requirements part of a long-term national development project rather than a series of disconnected donor conditions. At the same time, accession requirements and donor procedures should be harmonised where possible to avoid consuming scarce administrative capacity.

5.13. Policy Overload and State Bandwidth

The preceding mechanisms converge in a final institutional risk: policy overload. After large-scale hostilities decline, Ukraine may simultaneously need to demobilise military personnel, redesign veteran services, facilitate refugee return, reconstruct housing and infrastructure, reform taxation, maintain debt sustainability, negotiate donor finance, attract private investment, clear mines, restore education, strengthen courts and prepare for EU accession. Each task is substantial in isolation. Their simultaneous implementation creates exceptional demands on administrative capacity.

The problem is therefore not only insufficient finance but insufficient state bandwidth. A government can possess adequate funding while lacking the personnel, data, legal procedures, project pipelines and municipal expertise

required to deploy it efficiently. Reconstruction planning must prioritise sequencing and institutional capacity rather than assume that every desirable reform or project can be implemented at once.

5.14. The Danger of Unprepared Peace

The peace exposure effect should not be interpreted pessimistically. Peace will stop destruction, reduce uncertainty and make long-term planning possible. Its analytical purpose is to challenge the assumption that these benefits automatically produce immediate normality. Ukraine should prepare for peace by planning demobilisation before mass demobilisation begins, building reintegration capacity before return flows accelerate, anticipating post-war fiscal transition, developing risk-sharing mechanisms before private investment is expected to replace aid, and preparing territorial and municipal planning for a population geography that may differ fundamentally from 2021. The danger is not peace itself. The danger is unprepared peace.

6. Historical Experience of Post-War Reconstruction: Lessons and Limits for Ukraine

Historical experience provides an important source of evidence for analysing Ukraine's eventual post-war recovery, but comparison must be used cautiously. No previous reconstruction episode reproduces the combination Ukraine is likely to face: large-scale physical destruction, severe demographic decline, mass international displacement, a substantial veteran population, continuing security risks, territorial uncertainty, integration into European institutions and exceptional dependence on external support. The objective of comparison should therefore not be to identify a historical model that Ukraine can simply imitate. Rather, previous cases can reveal mechanisms that facilitated or obstructed recovery and help distinguish transferable lessons from historically specific conditions.

6.1. The Use and Misuse of Historical Analogies

The popularity of the expression Marshall Plan for Ukraine illustrates both the usefulness and the danger of historical analogy. It conveys the scale of commitment reconstruction may require, but it can imply that Western Europe's recovery resulted primarily from a large injection of American capital. The economic history literature provides a more complex interpretation. Post-war recovery reflected external assistance together with macroeconomic stabilisation, restored incentives, technological catch-up, labour-force expansion, human capital and security [14,21]. Historical cases are therefore most useful when decomposed into mechanisms. Western Europe illustrates the conditions under which international assistance can support broader recovery; West Germany shows how a society absorbs a massive population shock; Bosnia demonstrates the difference between physical reconstruction and sustainable development; and the former Yugoslav refugee experience provides evidence on knowledge transfer through return migration.

6.2. Western Europe after 1945: Beyond the Simplified Marshall Plan Narrative

The European Recovery Program undoubtedly transferred major resources to Western European economies, but Eichengreen and Uzan [14] argue that its significance cannot be understood solely through its direct contribution to investment. Marshall assistance eased foreign-exchange constraints, supported stabilisation and helped restore an institutional environment in which domestic resources could be used productively. Its broader effect therefore depended on economic normalisation rather than on the volume of aid alone.

This finding has a direct implication for Ukraine. The relevant question is not how large a reconstruction fund must become before it qualifies as a new Marshall Plan. A more useful question is which constraints external assistance must remove in order to make Ukrainian and private resources productive. Capital cannot by itself solve labour shortages, insecurity, weak courts or the absence of local services. International support can finance assets and provide guarantees, but long-term effectiveness depends on whether it stimulates private investment, productivity, labour-market recovery and integration with European markets.

Vonyó [21] provides an additional insight by showing that post-war reconstruction and labour-force expansion both contributed strongly to Western Europe's rapid growth. This comparison is particularly important because Ukraine may confront the opposite demographic conditions. The reconstruction programme will create exceptional labour demand precisely when the workforce has been reduced by demographic decline, migration, mortality, injury and mobilisation. The historical lesson is therefore not that finance alone can reproduce the European Golden Age, but that the effectiveness of reconstruction capital depends on complementary labour and human capital.

Western European recovery also involved structural modernisation rather than simple restoration. For Ukraine, reconstruction can similarly become an opportunity to replace obsolete or vulnerable systems with more productive ones. Energy infrastructure can become more decentralised and better integrated with Europe; logistics can be reoriented toward EU markets; and industrial rebuilding can incorporate more modern technologies. The historical analogy is most useful when it supports the principle that reconstruction should improve the productive structure rather than recreate the past.

6.3. West Germany: Forced Migration, Labour Markets and Social Absorption

Post-war West Germany confronted one of the largest forced population movements in modern European history, with approximately eight million expellees arriving in the western zones by the end of the 1940s. Their eventual integration is sometimes remembered as part of the German economic miracle, but empirical research shows that adjustment was prolonged and uneven. Bauer et al. [15] find that first-generation forced migrants continued to experience weaker economic outcomes even a quarter century after displacement, although those originating in agriculture could benefit from movement into more productive sectors. The experience therefore demonstrates both the persistence of displacement effects and the possibility that forced population movement can interact with structural transformation.

Settlement location was especially important. Braun and Dwenger [35] show that high concentrations of forced migrants and settlement in areas with strong agricultural employment weakened integration, while later internal migration moved the population distribution toward locations with better labour-market prospects. Braun and Weber [16] similarly document long adjustment dynamics in regional unemployment and migration following the expellee inflow. These findings are relevant to Ukraine because national labour scarcity can coexist with local unemployment. Returning refugees will not necessarily relieve reconstruction bottlenecks if they settle in locations where employment does not correspond to their skills or where the economic base has disappeared.

The local fiscal consequences were also substantial. Chevalier et al. [36] show that West German cities receiving larger migrant inflows increased welfare and education spending, raised local taxes and accumulated more debt. Population return should therefore not be treated solely as an increase in productive labour. It also creates front-loaded costs for housing, education, health care and municipal services before its full economic contribution appears. This historical mechanism closely resembles Ukraine's prospective absorptive-capacity problem.

Braun and Kvasnicka [37] further find that the inflow of expellees accelerated structural change away from low-productivity agriculture. This does not imply that displacement was beneficial; the war and expulsions imposed enormous human costs. It shows, rather, that once displacement has occurred, policy can influence whether

population redistribution simply preserves loss or contributes to a more productive allocation of labour. Ukraine may therefore need to distinguish the legal and moral right to return from an economic assumption that every household must ultimately live in its pre-war municipality.

6.4. Bosnia and Herzegovina: When Reconstruction Outpaces Development

Bosnia and Herzegovina provides a more cautionary comparison. After the 1992–1995 war, international institutions mobilised a major reconstruction programme that restored infrastructure, housing and public services with considerable speed. The World Bank's retrospective evaluation concluded that the early reconstruction effort achieved substantial physical results and helped restart economic activity [30]. This is encouraging for Ukraine because it demonstrates that exceptional destruction can be addressed when international finance, implementation capacity and political commitment are available.

The same evaluation, however, identified persistent problems of donor coordination and the difficulty of moving from emergency reconstruction toward sustainable sector development. Donors often maintained their own project selection and procurement systems, increasing administrative complexity [30]. The risk is particularly relevant for Ukraine, where EU institutions, bilateral donors, the World Bank, IMF, EBRD, EIB, UN agencies and private financiers may all operate simultaneously. Without strong Ukrainian ownership and harmonised procedures, donor plurality can become an administrative burden.

Bosnia also demonstrates the difference between reconstruction and development. By 2002, the World Bank described the country's central challenge as a transition from aid dependency to fiscal self-reliance and warned that the size and structure of public expenditure could not remain sustainable indefinitely [18]. External finance was indispensable to stabilisation, but the long-term challenge was converting that support into domestic revenue and productive capacity. Ukraine should therefore design an exit from emergency dependence from the beginning rather than wait until donor fatigue appears.

Forced displacement remained economically significant after the Bosnian conflict. Kondylis [17] finds that displaced Bosnians were less likely to be working than people who remained in their original locations, with displaced men experiencing higher unemployment and displaced women more likely to leave the labour force. This is a direct warning against measuring Ukrainian return success solely by border crossings or restoration of housing. Physical return without employment can leave households economically displaced.

6.5. Former Yugoslavia: From Brain Drain to Brain Circulation

The experience of Yugoslav refugees in Germany provides a more optimistic mechanism. Bahar et al. [7] study approximately 700,000 refugees from the former Yugoslavia who received temporary protection in Germany in the early 1990s. Industries with greater exposure to returning refugees who had acquired German work experience subsequently recorded stronger export performance, with productivity improvements providing the principal mechanism. The study therefore provides strong empirical evidence that migration can transmit knowledge, technology and production practices to the origin economy when returnees are able to use skills acquired abroad.

For Ukraine, this means that the diaspora should not be conceptualised solely as a stock of people who must physically return. Millions of Ukrainians are accumulating knowledge of EU labour markets, regulations, languages, technologies and business practices. If some return, those skills can be transferred directly. If others remain abroad, they can still contribute through investment, trade networks, research collaboration, remote work and entrepreneurship. The relevant strategic objective is therefore brain circulation rather than a binary division between return and permanent loss.

The Yugoslav evidence nevertheless depends on the ability of the domestic economy to use acquired knowledge. Recognition of foreign qualifications, access to finance, transparent career structures and links between returnees and productive firms are therefore essential. A highly skilled professional who returns but is forced into an unrelated low-skilled occupation represents physical return without an equivalent return of human capital.

6.6. Cross-Case Lessons

Despite their different contexts, the historical cases reveal several recurring mechanisms. First, finance is necessary but insufficient. External assistance contributes most when it supports institutional stability and productive incentives rather than merely replacing assets [14,30]. Second, labour allocation matters as much as labour numbers. Large population inflows can contribute to recovery only when people settle where employment and services exist [16,35]. Third, human-capital effects can persist long after physical reconstruction has finished, as shown by forced migrants in Germany and Bosnia [15,17]. Fourth, disruption can under some conditions be converted into structural transformation, through sectoral reallocation or knowledge diffusion [7,37]. Finally, recovery takes time. None of the cases supports the expectation that peace produces immediate normality.

Table 2 makes transferability explicit: the historical cases are used as bounded mechanism illustrations, not as matched counterfactuals for Ukraine. No causal effect magnitude from one case is transferred to the Ukrainian population.

Table 2. Transferable mechanisms and context-specific limitations of the historical cases.

Case / evidenced mechanism	Context-specific condition	Bounded inference for Ukraine
Western Europe after 1945: finance complemented market and institutional stabilisation; labour supply helped recovery [14,21].	Cold War security architecture, industrial capacity and labour-force dynamics differ markedly.	Treat finance, security, institutions and workforce as complementary; do not infer Marshall Plan-size aid suffices.
West Germany: forced-migrant absorption imposed local fiscal and employment costs and required mobility [15,16,35,36].	A shared national state, particular legal status and later growth conditions differ from wartime refugee return.	Plan municipal fiscal capacity and skill-location matching; no fixed employment effect is extrapolated.
Bosnia and Herzegovina: reconstruction advanced faster than fiscal autonomy or displaced-worker integration [17,18,30].	Dayton institutions and a distinct conflict and international administration shaped outcomes.	Define exit paths from emergency grants and monitor employment, without assuming Bosnia's trajectory.
Former Yugoslavia: some returnees transmitted experience acquired in Germany into export sectors [7].	Selective return, German labour-market exposure and sectoral demand shaped spillovers.	Support qualification recognition and diaspora networks; do not assume all migrants return or raise productivity.

These lessons support the principle of productive additionality: reconstruction resources should leave Ukraine with greater future capacity than would be achieved through simple replacement. Housing should support economically viable settlement; veteran policy should preserve employment capability; refugee policy should produce durable reintegration; and international finance should strengthen productive infrastructure, institutions and private investment that continue after emergency support declines.

7. A Policy Framework for Post-War Ukraine

The evidence developed above suggests that Ukraine's post-war recovery cannot be organised around a single reconstruction programme or a single source of assistance. A successful strategy must operate simultaneously across security, demography, labour markets, social protection, infrastructure, public finance, institutions and international economic integration. The central principle is reconstruction through transformation: post-war policy should be

evaluated by its ability to expand future productive and social capacity rather than merely replace what has been destroyed.

7.1. Security as the First Economic Policy

No reconstruction strategy can compensate for the absence of credible security. Security is not merely a political precondition outside economic analysis; it directly shapes investment, migration, settlement and public expenditure. A household considering return evaluates the probability of renewed displacement, while a company considering a factory evaluates the possibility that the asset could be destroyed again. IMF analysis explicitly links more favourable medium-term outcomes to security, investment and return migration and warns that an end to war without credible security guarantees would weaken all three [20].

The objective of a post-war security framework should therefore be to reduce the expected probability of future destruction sufficiently for households and firms to make long-horizon decisions. This may require continued high defence expenditure, air and missile defence, critical-infrastructure protection and a capable domestic defence industry. Such expenditure should not automatically be treated as competing with reconstruction because, in an environment where insecurity suppresses investment and population return, security spending functions partly as an enabling economic input.

Security considerations should also shape the physical form of reconstruction. Energy systems can be decentralised, transport networks can include alternative routes, digital infrastructure can incorporate redundancy, and hospitals and schools can be designed for continuity under disruption. The relevant cost calculation is therefore not the cheapest replacement under permanent peace but the expected lifetime cost of infrastructure in a country likely to remain exposed to geopolitical risk.

7.2. From Emergency Finance to a Sustainable Fiscal State

Ukraine cannot move directly from wartime dependence on external finance to ordinary fiscal self-reliance once hostilities cease. IMF analysis in 2026 continued to show exceptionally large fiscal deficits and financing requirements supported by international partners [20]. The post-war transition therefore requires a fiscal bridge between wartime survival and self-sustaining public finance. In the first years of peace, grants and concessional financing will remain essential; over time, a larger share of investment and ordinary public expenditure must be supported by domestic revenue, economic growth and private capital.

Fiscal consolidation must be sequenced carefully. Excessive austerity immediately after war could suppress demand, slow reconstruction and encourage further emigration, while maintaining every wartime programme indefinitely would create unsustainable commitments. The state must distinguish temporary emergency measures from durable obligations such as severe disability support, rehabilitation and infrastructure maintenance. Public investment should therefore include life-cycle fiscal analysis rather than only construction cost.

Tax policy should similarly balance revenue needs with the need to rebuild a formal private economy. Broader compliance, stronger tax and customs administration and reduced preferential treatment may be more sustainable than permanently high rates imposed on a shrinking base. If temporary reconstruction taxes are retained or introduced, their purpose and expected duration should be transparent enough to sustain public legitimacy.

7.3. Demography and Labour as Core Reconstruction Policy

Ukraine's demographic problem is sufficiently serious that it must be treated as a core economic issue. Reconstruction will generate demand for construction workers, engineers, technicians, medical professionals,

teachers and administrators at the same time that labour supply has been weakened. The first objective should be to maximise participation among the population already living in Ukraine, including veterans, persons with disabilities, internally displaced persons, women with caring responsibilities, older workers and younger people outside education or employment [3,4].

Participation policy should remove concrete barriers. Accessible transport and workplaces can preserve labour participation among persons with disabilities; childcare can increase employment among parents; recognition of military skills can accelerate veteran reintegration; and housing can allow workers to move toward regions with demand. Vocational and technical education should be aligned with actual reconstruction needs rather than organised primarily around existing educational supply.

Even ambitious activation measures may not fully close the labour gap. Ukraine should therefore retain the option of managed labour immigration if reconstruction and subsequent growth require more workers than the domestic population can provide. This should not replace policies aimed at retaining and returning Ukrainians, but demographic arithmetic may eventually make some immigration unavoidable. A mature policy framework should address that possibility before labour shortages become a binding brake on investment.

7.4. Veterans and Persons with Disabilities: From Compensation to Capability

Veteran and disability policy will be one of the central tests of the post-war social contract. Ukraine has a moral obligation to recognise sacrifice and provide adequate support, but the design of benefits will also have major economic consequences. A system centred exclusively on pensions and categorical transfers could unintentionally encourage permanent labour-market withdrawal, while an excessively activation-oriented model would fail to recognise injury and trauma. The appropriate approach combines compensation with capability: each individual should be supported to achieve the highest feasible level of economic and social participation.

This requires early rehabilitation, mental-health services, prosthetics, accessible housing, vocational assessment, skills recognition and employer support. The World Bank's living-conditions evidence indicates that veterans can experience significant employment losses despite strong educational profiles and that war-related disability is concentrated disproportionately among lower-income households [5]. The family dimension is equally important because professional care and community services can increase the labour participation of both the injured person and informal caregivers.

The World Bank's SPIRIT project, approved in 2026, reflects this direction by linking social assistance with employment and social services and supporting a more modern disability system aligned with EU standards [38]. The broader principle should be applied across reconstruction: accessibility must be built into housing, transport, workplaces and digital services rather than treated as a later retrofit.

7.5. Return Migration without the Illusion of Universal Return

Ukraine should seek to maximise voluntary and sustainable return, but universal repatriation is unrealistic. Some refugees will remain abroad because families, careers and children's education have become established there. Policy should therefore distinguish physical return from continued national connection. For potential returnees, credible security, housing, employment, schools and health care will probably matter more than isolated cash incentives. Existing IOM evidence already demonstrates the central importance of these conditions [6].

At the same time, Ukraine should develop a diaspora strategy based on brain circulation. Foreign qualifications should be recognised efficiently, returnee entrepreneurship should have access to ordinary finance, and universities and firms should create channels for temporary professional mobility and collaboration. Permanent residence abroad

need not imply complete economic loss if diaspora networks remain connected to Ukrainian production, investment and research. The experience of former Yugoslav returnees provides evidence that foreign work experience can become a development asset when domestic institutions can use it [7].

7.6. Housing and Regional Reconstruction Based on Future Population

Housing policy should be based on plausible future population rather than mechanically on pre-war settlement patterns. Some communities will recover, others may contract permanently and new economic centres may emerge around safer regions, universities, transport corridors and relocated firms. Reconstruction decisions should therefore combine the right of citizens to return with realistic scenarios concerning employment, security and service demand.

Local governments will be indispensable because reconstruction is experienced locally even when finance is national or international. OECD analysis before and after the full-scale invasion emphasises the importance of decentralisation and municipal capacity for recovery [8]. Municipalities with growing populations may require early infrastructure investment before their tax bases adjust, while depopulating municipalities may require consolidation or intermunicipal cooperation to maintain services efficiently.

7.7. Mobilising Private Investment through Risk Sharing

Public and donor finance cannot cover the full reconstruction requirement. The Ukraine Facility and its Ukraine Investment Framework illustrate an emerging model in which public guarantees and blended finance are used to mobilise private investment rather than substitute for it. The Facility provides up to EUR 50 billion for 2024–2027, and by June 2026 EU commitments under the investment framework were expected to mobilise nearly EUR 26 billion in public and private capital [31,32].

Political-risk insurance should be central to this architecture. The World Bank Group and U.S. International Development Finance Corporation established a coordinated political-risk insurance framework in 2026, while MIGA had issued USD 948 million in coverage for Ukraine since February 2022 [33]. Public institutions should absorb risks that private markets cannot reasonably price, especially risks of renewed conflict, while leaving normal commercial risk with investors. At the same time, Ukraine must reduce institutional risks—corruption, arbitrary regulation and unreliable courts—that should not require permanent external guarantees.

7.8. Institutional Integrity as Reconstruction Infrastructure

The scale of reconstruction finance will create major opportunities for rent-seeking as well as development. Procurement, compensation, land transactions and public-private partnerships will distribute enormous economic value. Institutional integrity should therefore be understood as reconstruction infrastructure. Transparent project pipelines, competitive procurement, independent audit, effective courts and anti-corruption enforcement should accompany major financial flows from the beginning rather than follow them later.

International partners can reinforce standards, but parallel donor-controlled systems should be avoided wherever Ukrainian institutions can credibly perform the task. Structures that function efficiently only while foreign organisations remain directly involved may improve short-run implementation while weakening long-run state capacity. Technical assistance should consequently focus on both national ministries and municipalities, where much housing, utility and social reconstruction will be implemented.

7.9. European Integration as the Long-Term Institutional Anchor

The European Union is uniquely positioned to become the principal long-term institutional anchor of Ukrainian reconstruction because it can combine finance with regulatory convergence and a credible integration project. Regulation (EU) 2024/792 established the Ukraine Facility, linking financial support with the Ukraine Plan and the broader accession trajectory [34]. EU integration can shape competition policy, procurement, state aid, environmental regulation, energy, transport, financial markets and the judiciary while reducing uncertainty about the country's future regulatory direction.

This linkage can transform reconstruction into modernisation. Infrastructure rebuilt according to compatible European standards can reduce future integration costs, while firms that adapt during reconstruction can gain easier access to the single market. The principal administrative risk is excessive procedural fragmentation. Ukraine Facility conditions, accession benchmarks, IMF reforms and development-bank requirements should therefore be harmonised wherever possible so that scarce Ukrainian administrative capacity is spent on reform implementation rather than duplicative reporting.

7.10. The United States, the G7 and Strategic Risk Sharing

The United States and other G7 states will remain important even if the European Union provides the principal long-term institutional anchor. The G7 Extraordinary Revenue Acceleration initiative established approximately USD 50 billion in loans to Ukraine supported by extraordinary revenues from immobilised Russian sovereign assets, including a USD 20 billion U.S. component [39,40]. The mechanism is significant because it diversifies burden sharing and links support partly to resources associated with the aggressor.

The future legal treatment of immobilised Russian sovereign assets remains contested and should not be treated as a guaranteed source capable of financing reconstruction in full. Core long-term expenditure should therefore rest on a broader financing strategy. The advantage of the G7 architecture lies in reducing excessive dependence on any single donor while coordinating strategic financing and security-related risk sharing.

7.11. The United Nations and International Financial Institutions

The United Nations should not be conceptualised as the principal financier of reconstruction. Its comparative advantage lies in human development, migration, local recovery, mine action, social cohesion, health and institutional support. IOM, ILO, WHO, UNICEF, UNHCR and UNDP each possess specialised capacities directly relevant to the human side of the peace exposure effect. Their challenge is coordination rather than scale of finance.

International financial institutions play a different role. The IMF supports macroeconomic stability and fiscal credibility; the World Bank combines public investment, social reform and institutional support; MIGA and IFC can mobilise private capital; and the EBRD and EIB can finance infrastructure and firms. The EBRD reported that wartime support for Ukraine had surpassed EUR 10.5 billion by June 2026, illustrating the capacity of development banks to operate between public reconstruction and commercial investment [41]. These institutions should be assigned tasks according to comparative advantage within a Ukrainian-owned strategy rather than competing for visibility.

7.12. A Sequenced Model of Reconstruction through Transformation

The policy framework can be represented as four overlapping stages. The first is stabilisation: security, macroeconomic continuity, electricity, water, transport, health care, housing and administrative capacity. The second is social and demographic consolidation: veteran reintegration, disability inclusion, refugee and IDP reintegration, education recovery, health and labour-market activation. The third is productive reconstruction: rebuilding transport,

energy, housing and industry in ways that improve productivity, resilience and European integration. The fourth is normalisation: emergency grants and exceptional measures gradually decline while domestic revenue, private investment and commercially viable finance increase.

The stages are illustrative and overlapping, not a rigid timetable or a forecast of when peace will occur. Security and implementation capacity are gating conditions: a programme should not be scaled in an unsafe locality or before a public authority can monitor and maintain its outputs. National ministries set fiscal and sectoral rules, but local governments require resources to implement housing and services. International partners should finance risk and capacity gaps rather than supplant Ukrainian ownership. The practical sequence, lead institutions and indicative monitoring measures are set out in Table 3; horizons are planning windows relative to each locality's or institution's transition, not promises of completion.

Table 3 provides a proposed prioritisation, not an empirically validated ordering of policy effectiveness. Measures at later horizons may begin earlier where capacity and security permit; urgent rehabilitation and rights-based support continue throughout.

Table 3. Proposed recovery priorities, implementation responsibilities and monitoring indicators.

Priority / indicative horizon	Lead; enabling partners	Implementation gate / first action	Monitoring measure
Pre-transition and first 12 months: continuity of essential services and rehabilitation	Ukrainian ministries and municipalities; WHO, UNDP and development banks as technical/financial partners	Local security and service mapping; register needs before approving capital projects.	Days of electricity/water outage; rehabilitation wait time; basic-service coverage.
0–24 months: demobilisation, labour matching and viable return	Veterans and social-policy authorities, employment service and municipalities; ILO/IOM support	Verified eligibility, accessible services, housing and employers ready to absorb workers.	Veteran employment after 6/12 months; durable residence at 12 months; regional unfilled vacancies.
1–5 years: selective capital rebuilding and institutional capacity	Finance and sector ministries, municipal project owners; EU/World Bank/EBRD/EIB partners	Publish project appraisal, population and maintenance assumptions; implement common procurement controls.	Completion vs budget; user uptake; annual operating costs funded; private co-investment.
3–10 years: fiscal normalisation and productive diversification	Ministry of Finance, economic and justice institutions; EU and IMF partners	Maintain security and credible rules; phase support down only as domestic revenue and private finance expand.	Share of recurring expenditure financed domestically; productivity; net business formation; investment.

7.13. Measuring Success Beyond Reconstruction Spending

Reconstruction is vulnerable to an expenditure fallacy: the assumption that larger disbursements necessarily represent greater progress. Financial volumes and physical outputs are convenient measures, but they reveal little about long-term viability. Post-war monitoring should therefore include durable return, labour-force participation, veteran employment, educational recovery, private investment, productivity, service quality, municipal maintenance capacity and institutional performance alongside kilometres of road or numbers of buildings rebuilt.

Population behaviour may become one of the most revealing aggregate indicators of confidence. If peace is followed by renewed large-scale emigration or persistently weak return intentions, households are signalling that security, economic opportunity or public services remain insufficient. Conversely, stable population and productive return would indicate that multiple components of reconstruction are working together.

7.14. Ukrainian Ownership and Preparation before Peace

External assistance will be indispensable, but ownership of reconstruction must remain Ukrainian. Donors should provide finance, guarantees, expertise and credible conditionality while Ukrainian institutions determine legitimate national priorities within transparent constraints. Conditionality is appropriate where it reinforces rule of law, anti-corruption standards and fiscal responsibility, but it should be organised around a coherent Ukrainian development strategy rather than fragmented donor agendas.

Many of the most important post-war policies cannot wait until war formally ends. Demobilisation systems, rehabilitation, recognition of qualifications, housing databases, public-investment pipelines, return-migration programmes, war-risk insurance, social-protection reform and donor coordination all require advance preparation. The first post-war years may have disproportionate influence over permanent migration decisions, investor expectations and public perceptions of fairness. Preparing for peace is therefore part of wartime resilience.

8. Discussion

The analysis indicates that the principal challenge confronting post-war Ukraine will not be reconstruction in the narrow sense of replacing destroyed physical capital. The war has interacted with demographic decline, migration, labour-market disruption, disability, regional inequality, institutional weakness and fiscal dependence in ways that will continue after hostilities cease. Historical comparison further suggests that large-scale external assistance can accelerate recovery but cannot substitute for domestic productive capacity, institutional legitimacy or a viable population structure. The transition to peace should therefore be understood as a shift between two different forms of crisis rather than a discrete movement from crisis to normality.

8.1. Interpreting the Peace Exposure Effect

The peace exposure effect is a heuristic framework rather than a claim that peace produces negative consequences. Its analytical value lies in timing and visibility. Many liabilities exist during the war but remain politically obscured by immediate military needs. Veteran rehabilitation becomes more visible after demobilisation; permanent emigration becomes clearer when return becomes possible yet does not occur; infrastructure maintenance becomes a future municipal liability after emergency construction finance is spent. The concept therefore connects wartime accumulation with post-war institutional visibility.

Three mechanisms are particularly important. The first is deferred visibility: liabilities produced during war become more administratively and fiscally salient after war. The second is simultaneous adjustment: demobilisation, migration, reconstruction, fiscal transition and changing public expectations can occur at approximately the same time. The third is expectation asymmetry: public expectations of improvement may rise faster than institutions can deliver. These mechanisms explain why an economy can experience improving security and positive GDP growth while simultaneously facing intense political and social pressure.

8.2. From Reconstruction Costs to Reconstruction Constraints

RDNA5 and related assessments necessarily express recovery needs in monetary terms, but the central post-war bottleneck may increasingly be a constraint gap rather than a financing gap. Skilled labour, administrative capacity, trust and security cannot be expanded as quickly as financial commitments. Large reconstruction inflows can therefore produce diminishing returns when complementary inputs are scarce. This extends the argument of Becker

et al. [42], who emphasise that Ukraine's recovery should be a process of modernisation and institutional reform rather than asset replacement.

The concept of absorptive capacity is consequently central. Ministries and municipalities may face more projects than they can prepare, procure and supervise; construction sectors may encounter acute skilled-labour shortages; and firms may struggle to recruit even when finance is available. Increasing reconstruction funding without addressing these constraints can raise costs rather than proportionally accelerate recovery.

8.3. The Security-Demography-Investment Nexus

Security, demography and investment form a mutually reinforcing system. Persistent insecurity discourages refugees from returning and encourages residents to maintain options abroad; a smaller population reduces labour supply, domestic demand and the tax base; weak investment constrains wages and employment; and weak employment further reduces the incentive to return. The reverse cycle is also possible. Credible security can increase investment and return, generating employment and revenue that improve living conditions and further strengthen confidence. IMF scenario analysis explicitly links security, return migration, investment and productivity in its assessment of Ukraine's medium-term prospects [20].

This nexus explains why conventional sequencing is inadequate. Security, reconstruction, return and investment must overlap because each depends partly on expectations about the others. Early public investment may be justified not only by direct economic returns but because it changes expectations and therefore migration and investment behaviour.

8.4. Scenario I: Secure and Transformative Recovery

The most favourable plausible scenario combines durable security, sustained international support, strong reform and substantial return migration. Under these conditions, postponed private investment could accelerate, returning households would increase labour supply and demand, and reconstruction could modernise infrastructure and productivity. A construction-driven recovery could nevertheless create complacency if high short-term GDP growth were mistaken for durable convergence. The essential test would be whether productivity, institutions and private investment remain strong after exceptional reconstruction spending begins to decline.

This scenario also offers the best environment for reconstruction through transformation. EU integration could accelerate regulatory convergence, investment could modernise energy and logistics, and returning migrants could transfer skills acquired abroad. Social liabilities would remain large, but stronger growth would enlarge the fiscal base from which they are financed.

8.5. Scenario II: Insecure or Incomplete Peace

A second scenario involves the cessation of large-scale fighting without a security settlement credible enough to eliminate expectations of renewed war. Such an outcome would still be vastly preferable to continuing high-intensity conflict, but many economic benefits of peace would be weakened. Investors would continue to demand high risk premia, refugees might postpone return, defence spending would remain high and exposed regions could continue to depopulate. The IMF identifies these mechanisms explicitly in less favourable scenarios [20].

An insecure peace could intensify the peace exposure effect because wartime institutions begin to unwind without a corresponding increase in confidence. Mobility restrictions could end and enable additional emigration; demobilisation could release workers into local economies where private investment remains weak; and donors could reduce emergency support before normal commercial finance becomes available. Regional divergence would also

increase as safer areas attract people and investment while areas near a potential line of renewed conflict remain economically disadvantaged.

8.6. Scenario III: Demographic Hollowing and Aid-Dependent Recovery

A third scenario could emerge even under improved security if return migration remains limited and physical reconstruction advances more successfully than demographic recovery. UNHCR's 2026 intentions survey demonstrates that return preferences are conditional and evolve over time, while IOM's evidence shows that many people who have returned remain displaced within Ukraine [6,19]. Ukraine could therefore rebuild substantial infrastructure while operating with a permanently smaller population.

A smaller population does not necessarily imply economic failure if productivity rises sufficiently, but Ukraine would also retain large territorial, defence and social obligations. Fewer taxpayers would finance extensive infrastructure, pensions, rehabilitation and security. If donors repeatedly filled the resulting structural gaps, reconstruction could become aid-dependent. Bosnia provides a warning that physical recovery can progress more rapidly than fiscal self-reliance [18]. The appropriate response is therefore not an unrealistic attempt to restore pre-war population size at any cost, but to align infrastructure and services with plausible demographic realities while maximising productivity and labour-force participation.

8.7. Population Return as an Outcome Indicator

Return migration should be interpreted not only as an input into reconstruction but also as an outcome. Ukrainians able to remain in secure and comparatively prosperous EU states effectively choose between institutional environments. Their decisions contain information about perceived security, wages, housing, schools and public services. If return remains weak after security improves, this should prompt analysis of domestic conditions rather than moral criticism of citizens abroad.

This perspective also suggests that diaspora engagement should remain valuable even when permanent return does not occur. The relevant question is how much human capital remains economically connected to Ukraine, not simply how many people physically relocate.

8.8. Territorial Questions and the Limits of Economic Calculation

Territorial outcomes cannot be reduced to shares of GDP or resource values. Property rights, forced displacement, identity and perceived justice make the territorial issue intrinsically political and moral. At the same time, legal sovereignty should not be confused with immediate demographic and economic viability. Reconstruction planning may need to use cautious forecasts about population and security without weakening legal claims or the rights of displaced persons. Policy must therefore distinguish rights from forecasts.

8.9. External Assistance as Catalyst Rather Than Permanent Substitute

International assistance will remain indispensable, but its long-term function should become increasingly catalytic. During war it substitutes directly for domestic fiscal capacity; during early reconstruction it will continue to do so. Over time, however, external resources should increasingly finance investments and reforms that generate private capital, productivity and domestic revenue. The political sustainability of donor support also improves when assistance visibly enables self-sustaining economic activity rather than open-ended routine expenditure.

The division of labour among partners follows from this principle. The EU can provide regulatory and institutional anchoring; G7 states can provide security and strategic risk sharing; the IMF can support macroeconomic credibility;

development banks can mobilise capital; and UN institutions can support human development and local reintegration. Coordination should be measured by whether these interventions reinforce a common Ukrainian strategy rather than whether they are housed under a single institution.

8.10. The Risk of a Two-Speed Reconstruction

Market forces may produce a two-speed recovery in which safer metropolitan areas and regions with EU connectivity attract returnees, firms and investment, while exposed eastern and southern areas experience continued depopulation. Some regional concentration may be economically efficient, but unmanaged divergence could produce serious political and social consequences because the regions at greatest risk of decline are also those that have suffered heavily during the war. Reconstruction policy should therefore distinguish equal outcomes from credible opportunity. Transport, digital connectivity, education, health care and fair compensation can preserve choice even where the old local economic structure cannot be restored.

8.11. Theoretical Contribution and Limits

The peace exposure effect does not claim to discover displacement-related impoverishment, aid dependence or path-dependent institutions: these are already analysed in the literature [10-13]. Its proposed contribution is a narrower, falsifiable timing proposition. When a documented wartime liability is followed by the withdrawal or conversion of a relevant emergency arrangement, the liability may register a change in administrative, fiscal or political salience across one or more civilian systems. Co-occurrence alone is insufficient: Table 1 requires a traceable trigger, comparable measures and consideration of rival causes. Current Ukraine data establish the liabilities and plausible institutional mechanisms but cannot establish the post-war effect itself. The historical cases offer bounded analogies, not estimates of the effect size in Ukraine. The scenarios in this section are conditional illustrations; Section 7 contains policy propositions to be monitored, not demonstrated interventions.

The framework remains subject to important limitations. The war is ongoing at the analytical cut-off, final territorial and security outcomes are unknown, military casualty data remain incomplete and population statistics are uncertain. Historical analogies are used to identify mechanisms rather than to forecast outcomes. The analysis also gives less attention to environmental damage, transitional justice, war-crimes accountability, cultural heritage and detailed legal questions surrounding Russian assets, all of which deserve independent research.

8.12. Broader Implications

The conventional distinction between war and peace can obscure a prolonged transitional phase in which demographic, fiscal and institutional consequences remain deeply embedded in society. The physical end of destruction is therefore only one component of recovery. A durable transition requires restoration of expectations: households must believe that remaining or returning is rational, firms must believe that investment can survive long enough to generate returns, and international partners must believe that assistance is being converted into sustainable domestic capacity.

This perspective resolves the apparent paradox in the title. There is no argument for preferring continued warfare to peace. The meaningful concern is whether Ukraine and its partners recognise that peace creates its own governance requirements. Ukraine does not need to fear peace, but it must prepare for the moment when the extraordinary logic of war can no longer organise society. The ultimate objective is to transform peace from the absence of war into the presence of viable economic and social expectations.

9. Conclusion

This article has examined the prospective post-war transformation of Ukraine from a perspective that goes beyond the conventional understanding of reconstruction as the replacement of destroyed physical assets. The analysis demonstrates that the end of large-scale hostilities, while unquestionably representing a profound humanitarian, political and economic improvement, will not eliminate the consequences accumulated during the war. Instead, it will alter the form in which those consequences are experienced and governed. Demographic decline, war-related mortality, disability, labour shortages, refugee settlement abroad, internal displacement, disrupted education, housing destruction, regional economic dislocation, fiscal pressure and institutional overload will remain after military operations decline. In some cases, these problems may become more visible precisely because wartime emergency structures no longer dominate political priorities. The article conceptualises this transition as the peace exposure effect.

The first research question concerned which consequences of war are likely to become particularly significant after the transition to post-war governance. The analysis suggests that the most difficult pressures will arise not from any single category of destruction but from the interaction among demographic, social, economic and institutional constraints. Ukraine may confront a severe shortage of working-age people at the same moment that reconstruction generates exceptional demand for labour. Veterans and persons with disabilities will require long-term support, yet recovery will depend on preserving their economic participation wherever possible. Refugees represent a potentially crucial source of labour and human capital, but their return cannot be assumed. At the same time, the state will face deferred human liabilities associated with rehabilitation, bereaved families, education recovery, health care and infrastructure maintenance.

The second research question examined lessons from previous reconstruction episodes. Western Europe demonstrates that international finance becomes most effective when it operates alongside institutional stabilisation, functioning markets, productivity growth and human capital [14,21]. West Germany shows that large-scale population displacement can ultimately be absorbed, but integration is prolonged, geographically uneven and initially costly [15,16,35]. Bosnia illustrates that externally financed physical reconstruction can proceed more rapidly than fiscal self-reliance and full economic reintegration [17,18,30]. Former Yugoslav return migration demonstrates that wartime migration can under appropriate conditions generate knowledge transfer and productivity gains [7].

The third research question concerned the policy framework most likely to transform reconstruction into sustainable recovery. The evidence supports a multi-layered approach in which security, social and demographic consolidation, productive reconstruction, institutional reform and fiscal normalisation proceed in overlapping stages. Security must be understood as an economic input because households and firms cannot make long-term decisions without credible expectations that reconstructed lives and assets will remain safe. International finance will remain indispensable, but it should progressively move from substituting for Ukrainian fiscal capacity toward mobilising productivity, domestic revenue and private investment. European integration offers a particularly powerful institutional anchor, while labour-market activation, rehabilitation, return migration, diaspora engagement and, if necessary, managed immigration will be required to address demographic scarcity.

These findings also challenge the reconstruction-to-baseline fallacy. Rebuilding Ukraine to the position in which it existed immediately before the full-scale invasion would not constitute sufficient success because Ukraine entered 2022 with demographic decline, outward migration, relatively low income, regional disparities, investment constraints and incomplete institutional transformation. The objective should instead be reconstruction through transformation. Destroyed infrastructure creates an opportunity to improve resilience and efficiency; relocation may create new economic geographies; refugee experience abroad may contribute knowledge and networks; and EU

accession can support reforms that were incomplete before the war. This does not make destruction economically beneficial; it means that extraordinary reconstruction resources should not be used merely to recreate structures that were already unsustainable.

The article also highlights the limits of reconstruction measured primarily in financial terms. Population, trust, administrative capacity, social cohesion, professional experience and credible expectations of security cannot be rebuilt at the same speed as roads, housing or electricity networks. A reconstruction strategy can therefore be fully financed and still fail if the country lacks sufficient absorptive capacity or if citizens and investors do not believe that a stable future exists. Measures of success should consequently include labour participation, durable return, private investment, productivity, education outcomes, institutional quality and the ability of governments to maintain reconstructed assets without indefinite emergency support.

The concept of the peace exposure effect should not be interpreted as an argument that Ukraine has reason to fear the termination of war. Continued warfare generates additional death, injury, destruction and displacement and is clearly more damaging than the difficult transition that follows. The concept instead identifies a governance risk: societies can be insufficiently prepared for peace because wartime institutions, budgets and expectations obscure the scale of adjustment that will follow demobilisation and the return to ordinary political life. Preparing for peace requires planning for those transitions before hostilities cease.

Ukraine's future will ultimately depend on whether the country and its partners can convert the end of military destruction into a credible expectation of long-term social and economic viability. A successful strategy would create a positive reconstruction cycle in which improved security encourages households to remain or return and firms to invest; investment creates employment and tax revenue; better employment and public services improve demographic stability; stronger institutions attract additional capital; and deeper European integration reinforces confidence that these improvements are durable. The alternative is a negative cycle in which insecurity, weak return migration, labour scarcity, fiscal dependence and renewed emigration reinforce one another.

The central conclusion is therefore that the most difficult phase of Ukraine's recovery may begin not before peace but with it. The end of large-scale hostilities will stop the continuing accumulation of many forms of destruction, but it will also mark the moment when accumulated human, demographic, fiscal and institutional consequences must be addressed simultaneously. Ukraine's success should not be measured by whether it rebuilds the country that existed before the invasion, but by whether it creates a state in which citizens consider it rational to remain, refugees consider it rational to return or remain economically connected, veterans and persons with disabilities can participate fully in society, and investors believe productive assets have a secure future. In this sense, the decisive objective of reconstruction is not merely to rebuild Ukraine after the war. It is to ensure that Ukraine is capable of winning the peace.

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