

Addressing sustainability of public finances and social sustainability during crisis from a multi-actor perspective

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Preface

In an era often termed as one of polycrisis - where geopolitical volatility, armed conflict, pandemics, financial instability, and climate-related shocks converge - the ability of governments to effectively mobilise and efficiently manage public resources is crucial for societal resilience. Public finances are then more than a tool for long-term development and redistribution, but also a frontline instrument for crisis response, recovery, and the preservation of social cohesion. Understanding how public finance systems perform under extreme stress is therefore of critical importance for policymakers and practitioners worldwide.

This report contributes to the growing international debate on how public finances can be used to navigate and manage severe disruption and crises. It does so both theoretically and by focusing on several key actors within Ukraine's socio-economic system, exploring how different stakeholders behaved and interacted to safeguard both the sustainability of public finances and the functioning of society. By drawing on lessons from Ukraine's response to the Russian invasion of February 2022, the report highlights the importance of financial flexibility, including rapid reallocation of resources, calibrated tax measures, and strategic debt management. It also underlines the need to coordinate international support, to strengthen local authorities as first-line responders, and to build robust partnerships with civil society to enhance resilience. Finally, and importantly, the report points to the central role of digital tools in crisis governance. Digital solutions are shown to be vital for ensuring transparency, building public trust, and delivering services efficiently under extreme conditions.

The report represents a valuable contribution to ongoing discussions on how countries, including Sweden, can better prepare their public finance systems to withstand and respond to crises.

I would like to sincerely thank all those who participated in the interviews and focus group discussions; your experiences and reflections, shared under extraordinarily demanding circumstances, are at the heart of this report. I also extend a warm thank you to the authors of report for their diligent work, with a particular warm thank you to Giuseppe Grossi, who excellently led this study and brought it to its conclusion. The analyses, findings, and conclusions are solely those of the authors.

April 2026

Lia Antoniou

Research Leader – Thinktank
LF Research Foundation

Executive summary

This report combines theoretical perspectives on financial and social sustainability and the architecture of crisis governance and their practical implications. It aims to provide a practical roadmap for policymakers, financial managers, and crisis governance professionals on how to effectively manage public resources during crises while ensuring social stability. It draws on lessons from Ukraine's response to the Russian invasion, illustrating how governments can sustain essential public services, secure financial stability, and mobilize international support in extreme conditions.

Methods and data

This report represents a qualitative exploratory case study of Ukraine post the Russian invasion of February 2022, focusing on public financial management and crisis decision-making. Primary data comprised in-depth online and face-to-face interviews with key stakeholders – international donors, Ukrainian ministries, local governments, third-sector organizations, and businesses – and was complemented with multiple focus group discussions with local actors involved in emergency response. Secondary data included official reports, legislative documents, and publicly available information from international, central, and local institutions, and was employed to trace policy measures and reconstruct decision-making patterns. Triangulating these sources enabled a nuanced, multi-level understanding of crisis response mechanisms and their implications for governance, stability, and resilience.

Main takeaways and recommendations

IMPORTANCE OF FINANCIAL FLEXIBILITY

Reallocating resources quickly

Ukraine shifted public spending from non-essential projects to urgent defence and humanitarian needs.

Recommendation

Governments should establish emergency budget mechanisms to enable rapid reallocation.

Adaptive taxation strategies

Temporary tax breaks helped sustain businesses, but a structured approach ensured tax revenue recovery.

Recommendation

Fiscal policies should balance relief with long-term revenue stability.

Strategic debt management

Ukraine renegotiated international debt commitments, postponing repayments while maintaining credibility.

Recommendation

Countries should establish pre-crisis agreements with financial institutions for contingency debt restructuring.

ALIGNMENT OF THE EMERGENCY RESPONSE AND ACTUAL NEEDS

Ukraine leveraged multi-donor platforms to coordinate international aid.

Recommendation

Practitioners should establish clear frameworks for donor alignment to avoid fragmented assistance.

LOCAL GOVERNMENTS AS FIRST RESPONDERS

Ukrainian local governments (municipalities) played a critical role in emergency housing, security, and service delivery.

Recommendation

Decentralized funding mechanisms empower municipalities to allocate resources based on real-time needs.

COMMUNITY-DRIVEN RESILIENCE

Volunteer networks and NGOs filled service gaps when formal institutions were overwhelmed.

Recommendation

Governments should facilitate pre-crisis partnerships with civil society organizations for more agile crisis responses.

DIGITAL TOOLS SUPPORTING CRISIS GOVERNANCE

Transparency builds trust

Public procurement platforms ensured real-time monitoring of funds, preventing corruption and reinforcing donor confidence.

Recommendation

Countries should invest in digital financial transparency tools before a crisis strikes.

E-government platforms reduce administrative bottlenecks

Ukraine expanded Diia (a digital citizen portal), to deliver wartime services.

Recommendation

Governments should strengthen digital service delivery to ensure uninterrupted access to financial aid and essential services.

Introduction

The growing concern about using public finances to respond to and manage crises has become a critical issue in public budgeting and financial resource allocation. When governments allocate financial resources on behalf of the public, they must do so in a way that serves the public interest effectively and efficiently. Ensuring public finance sustainability in a crisis situation is crucial and involves balancing the allocation of extraordinary resources without increasing public debt. The frequency and magnitude of recent crises, both human-made disasters (such as wars and related humanitarian crises) and natural disasters (climate change, pandemics, earthquake, etc.), make this challenge even more complex.

This report explores public financial management tools to ensure social and financial sustainability during crises. It aims to illustrate the practical implications and lessons for the future management of crises. The insights presented in the report are drawn from academic research on public financial management, sustainability and crises and can be grouped as such:

1. That multiple actors are involved in crisis governance, have mutual relationships in coping with crisis events and use a diversity of tools to manage a crisis' financial and societal effects, immediately and in the long term.
2. That, from such a multi-actor perspective, various actors are deliberately taking responsibility for ensuring sustainability in the public financial management in view of the critical impact on social sustainability, and vice versa.
3. That, taken together, understandings of the sustainability of public financial management and its effects on social sustainability, and vice versa, are enhanced.

The report bridges the gap between academic research and practice in the field of public financial management and budgeting, keeping both academics and interested practitioners better informed about the theoretical debate and its practical implications.

The report is structured as follows: Firstly, the framework that is at the heart of report's argument is presented. Thereafter the theoretical implications derived from this framework are outlined. The third part considers the practical implications gained from the empirical research into a human-made disaster, namely the Russo-Ukrainian war. Lastly, the report concludes with both implications and recommendations for the Swedish context.

Literature review

Crisis governance from a multi-actor perspective

When a crisis event takes place, the crisis governance mechanisms constituted by the state’s regulatory system are immediately activated, putting each level of government (central, regional, local) and the multiple actors involved (political, economic, social) into a challenging, non-regular and fluid mode of responsibility.

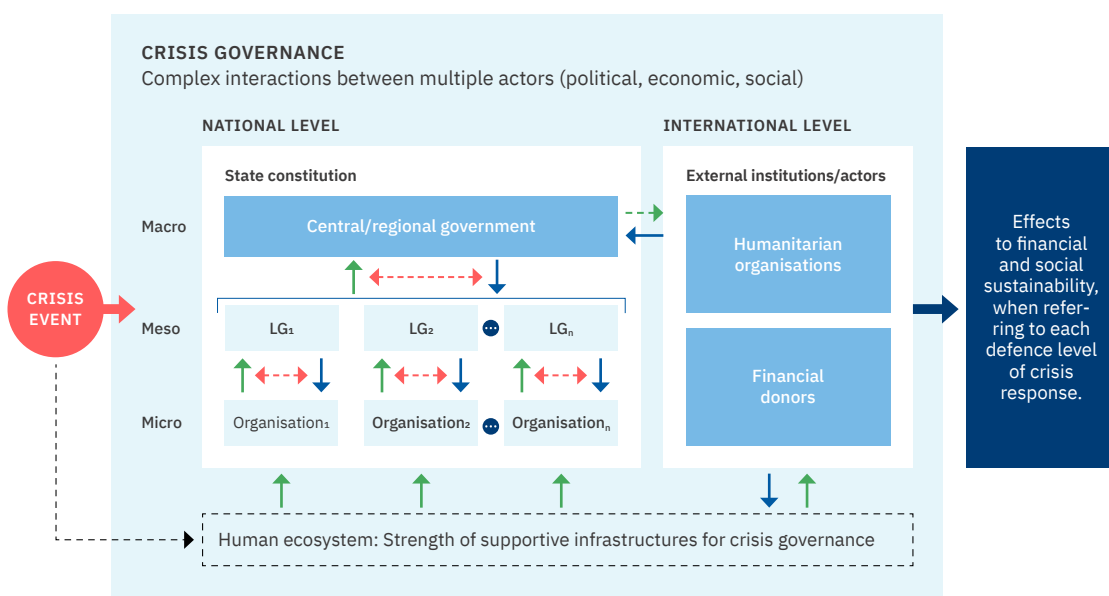
Three trigger points are important, to better understand the intermediary spheres in crisis governance:

1. The vulnerability of society, which is reflected in the needs of those affected by the crisis event. It determines relevance and attention in the crisis governance, and in triggering short- and long-term effects on financial and social sustainability.
2. The effect of crisis governance differs, depending on the coherence and temporality of crisis responses resulting out of each layer of defence against crisis threats: prevention, crisis response, and sustaining social and financial recovery. It is essential to have multiple actors involved, incorporating institutions of international crisis governance.
3. The human ecosystem is a complementary level of crisis governance, as it determines the strength or weakness of its supportive infrastructures for helping those affected. It is antecedent to crisis governance effectiveness, as it reflects social equity risks occurring in relation to the vulnerability of society, e.g. in terms of resource allocations being just and fair for those concerned.

Figure 1 visualises a multi-actor centred perspective on crisis governance, while refining the processes that trigger (enable or decrease) community-based responses to crisis threats. It establishes the sense of urgency and uncertainty among multiple actors in taking agency for crisis response, just when prevention fails, and the bottom-up effect of anticipating the social sustainability of communities. Their strength at the grassroots level can be the difference in achieving effective resource allocations, both financially and in kind.

Figure 1. Visualisation of the conceptual framing of the report

Source: Figure created by authors



We identify three key concepts that require further theoretical and practical reflection to elaborate the conceptual framework:

1. The heterogeneity in approaching a crisis, crisis stages and the role of the crisis governance in the case of a crisis event. It considers the complex networks of interactions between various actors in political, economic and socially shaped arenas of crisis response, and also the mutual but also somehow contradictory nature of collaborative relationships in the face of competing demands for resource budgeting and allocation (international-national; national/regional-local; individuals and social communities).
2. The mediating role of the human ecosystem. It constitutes the focus on resilience and the social sustainability of communities. It emerges as altruism, when it comes to helping those directly affected, but also as social equity and its consequences and, thus, as a crisis governance opportunity and threat from the bottom up. When aid-giving is treated as unjust, unfair or inadequate at the community level, it may become disturbing rather than enabling to effective crisis responses.
3. The reverse logic of crisis governance, which is in order to outline policy arenas, layers of defence and the multiple roles of agents and communities at large, treated as the top-down logic of the crisis governance (Figure 1, in blue) but also as a bottom-up concern from the grassroots level (Figure 1, in green) and thus the not-very-well-understood role of the processes of (grassroot) crisis governance (Figure 1, in red) that trigger (enable or decrease) community-based responses to crisis threats.

Theoretical framework

Financial sustainability and social sustainability during crises

Crisis governance, disaster and emergency management literature has developed a variety of categories and classification schemes for describing what a crisis event is, how risks to vulnerability and social and financial sustainability emerge, and why crisis governance occurs and comes into effect at each layer of defence that blocks a crisis threat: prevention, crisis response and sustaining social and economic recovery (Cotton-Barrat, Daniel, & Sandberg, 2020; Bouncken, Kraus, & Lucas Ancillo, 2022; Ansell, Sørensen, Torfing, & Trondal, 2024).

It is vital to distinguish between the generic terms ‘crisis’ and ‘crisis governance’. A crisis occurs because a crisis event, which we define here as a natural or human-made disaster, hurts the vulnerable in society, depending on its severity and scope. The challenge of crisis governance resides in the disaster economics, e.g. the scarcity of resources and professional support in the global or local aid. It may become (more) distinct when threats are embedded in the antagonistic nature of political conflicts, as in the case of warfare and war crimes. Crisis governance is considered to be the response, as institutionalised in political and administrative structures and procedures, regardless of the global or local setting of the crisis. Crisis governance also plays out as a social phenomenon and over time for two reasons:

1. It identifies and gives a count to the disaster’s harmful effects on society, social and individual life but also recognises their significance for allocating an extraordinary budget for crisis governance decisions, while referring to the capacity of political and administrative infrastructures.
2. It measures the causes of the varying impact on the vulnerabilities of crisis-affected businesses and people, e.g. individuals, households and communities, to prioritise political and administrative activities, so that crisis governance decisions can be calculated and reached but also, if irrelevant, rejected.

Achieving a balance between financial and social sustainability is an inevitable but inherently contradictory endeavour. In this respect, multiple actors, their agency on crisis decision-making and calculative practices for balancing resources and responsibilities across the governance levels and alongside the crisis become visible. A somewhat more comprehensive definition of crisis reveals a crisis event as a perceived, serious threat to the institutions and order of societal life from a human, social and economic perspective and, thus, the values and norms underlying the life-sustaining systems of a society. Given a time of high pressure and uncertainty due to the complexity, magnitude and societal consequences of a disaster, crisis governance requires agency on deciding what is first and most urgent as it becomes critical for societal life. In crisis governance, multiple actors dispose of and allocate resources, financial and in kind, but effectiveness also depends on social responsiveness. Crisis governance matters but not independently of how threat, uncertainty and urgency are enacted and calculated and, hence, socially constructed, by the agents forming strategies on allocating resources and sharing responsibility in the crisis context. In practice, government actors need to adopt strategies for resource budgeting and allocation that enable them to adapt swiftly in response to crisis events, not least in just and fair counts and calculations.

For any crisis event, immediate crisis governance is required but influenced by the far-reaching consequences of failures at each layer of crisis defence, even if agency on decision-making takes place under uncertainty, urgency and, hence, the incalculability of such causes and consequences. When the crisis occurs, prevention failures in reducing the likelihood of crisis threats are fixed, as prevention necessarily refers to investments, financial and in kind, made in advance. ‘Building Back Better’ was not achieved, resources – natural or human – and/or responsibilities that are capable of providing aid have not been recognised and scaled up (or are thwarted by political or administrative failures in allocation resources or responsibilities). The same applies to a lack of resilience when

resilience is treated as the societal preparedness to absorb, adapt to and recover from crisis threats, as such communal capacity also emerges as a result in the aftermath of a crisis. Accordingly, if we consider the immediate characteristics of the crisis event, the enactment of crisis threats and cascading risks moves it away from its 'history', in terms of its temporal (incremental or disruptive pace, e.g., the linearity and speed of threat accumulation) and spatial distinctiveness (local or global place or arena; the setting and the societal institutions in which the crisis is located) in the concrete situation.

Human ecosystem and the role of supportive infrastructures for crisis governance

A human ecosystem depicts the way in which the individual, social groups and communities, as part of the broader social context, change the effectiveness of crisis governance, by enabling both social and environmental inputs, highlighting the way social norms and institutions work together in collaborative activities to support social health and well-being (Rush, Marshall, Bessant, & Ramalingam, 2021). The attention then is directed to the resources and responsibilities which are mobilised by or within a social community. This concept emphasises the interdependence and mutual supporting nature of setting financial priorities while considering the social agenda in crisis governance, primarily by focusing on the capacity of social communities to adapt to the vulnerability caused by human-made disruptions, i.e., economic shifts, climate crisis or the economic, social and political changes caused by an armed conflict (Carbonnier, 2015).

Sustainability of public finance is central, providing essential resources to support recovery across ecosystems. Resilient financial systems enable effective responses to natural disasters, social support programmes and humanitarian aid, highlighting the interconnectedness needed for resilience in crises. The occurrence of a crisis event fixes the crisis risk. In fact, risk threats depend not only on the occurrence, frequency and intensity of a natural or human-made hazard but also on the social vulnerability, which is the individual's and the community's exposure to it. Thus, vulnerability indicates that the pressing need to gain aid is balanced by the resilience on each governmental level demonstrating the extent to which those affected can mobilise a diversity of resources to ward off the hazard, immediately and in the future, in a sustainable way.

During the crisis, community-based social preparedness derives from those actors improvising (more) directly on the disaster event (Capano & Toth, 2023; Crow, Albright, Ely, Koebele, & Lawhon, 2018; Vakulenko, Sargiacomo, & Klymenko, 2024; Grossi & Vakulenko, 2025). Describing resilience and the community-based social preparedness in this way implies not only their networked and socially embedded nature but also the cascading evolution, characterising the social sustainability of the humanitarian ecosystem. In practice, community-based preparedness can come into effect in two ways:

- Through situational awareness, balancing the resources available, both financial and in kind, against the concrete needs of the given local context may be beneficial for efficiency but also for fair and just aid delivery. Conversely, competing demands and concrete conflicts over resource allocations can pose a threat to effective crisis governance. This is the case, e.g., when it comes to the fair distribution of the economic and social 'refugee burden' in the context of war.
- Awareness of key vulnerabilities and their successful translation into political and administrative measures provides the ground for strengthening community-based engagement in the crisis governance system and also for timely crisis response at different levels of defence, in terms of financial (e.g. mobilising resources complementary to aid-giving policies and programmes) and social sustainability (e.g. civil society: communities and the dynamic formation of community-based networks).

Effective crisis governance is contingent upon robust supportive infrastructures that ensure resilience while considering transparency and accountability in managing public resources. Supportive infrastructure encompasses digital platforms, regulatory frameworks and reporting tools that allow for efficient mechanisms in monitoring, controlling and allocating public finances. These elements are a vital source in a crisis context, where public trust in governments and international donorship are paramount.

Transparency in budgeting and reporting, alongside up-to-date information on financial planning, is crucial for strengthening public trust in governments and international donors, as increased transparency on political and crisis effectiveness reduces the risk of uncertainty in the provision of aid. Publishing comprehensive reports and adhering to international accounting and auditing standards for aid-giving ensure sound oversight. Establishing digital platforms plays a key role, as it enables accurate and efficient tracking of expenditure, thereby minimising corruption risks and safeguarding the effectiveness of resource allocation. The availability of real-time information supports crisis management to display the credibility of their responses, thereby fostering public trust and trustworthiness among stakeholders, including creditors, donors and citizens.

The architecture of crisis governance: actors and levels of interactions

If crisis governance is robust, it should become (more) effective in coping with crisis threats. The robustness of governance implies a public authority's capacity to anticipate and continue providing public value, even in the case of wicked, volatile and unexpected crisis events. Being resilient 'now', in the crisis situation, is associated with collaboration in multi-actor networks, allowing (more) flexibility in mobilising resources and balancing trade-offs between shared but competing responsibilities. The governance network, characterised by its form, resources, shared responsibilities and accountability, is typically considered critical for achieving crisis response, but the time required to reach effective crisis leadership runs counter to the immediate demands of a crisis event, sometimes scrutinised as collaborative inertia.

As an instance of dynamic conservatism in between a creeping or global crisis, robust governance response – and in a similar vein dynamic individual, organisational and social resilience – reveals the opportunity of multiple public authorities to cope with the urgency of the crisis event, which is embedded in continuous transformations (enabling adaption and change) supported by a particular institutional and organisational infrastructure (stability enabling windows of opportunity for crisis response to be opened). In this respect, robustness emphasises the built-in flexibility in institutional and organisational arrangements of crisis governance, which creates (more) capacity through its multiple repertoires for responding to disruptive tensions (Ansell, Sørensen, & Torfing, 2023; Nolte & Lindenmeier, 2023; Drennan, Dudau, McDonell, & Stark, 2024). In the case of a crisis event, focusing on the robust crisis governance architecture of a single authority is important, especially if risks of network crisis governance are eased by considering the significance of interorganisational relations and/or dyadic interactions. By contrast, robust crisis governance does not account for the purposeful yet strategic agency of the multiple actors who make the decisions and the larger patterns of crisis management made up by the complex interactions necessary because of shared responsibilities that depend on what the multiple actors are aware of. Refining the architecture of crisis governance also extends to the national-international interactions, with relevance to balancing financial and social sustainability (see Table 1).

Table 1. Crisis governance architecture for resilience: summary of theoretical implications

	ACTIONS		LEVELS OF INTERACTION	
	Central	Local	Central–local	National–international
Financial sustainability	<ul style="list-style-type: none"> – Significance of allocating extraordinary resource budgeting, financial and in kind. – Sustainable funding concepts and strategic debt management. – Built-in flexibility, by strengthening adaptivity and responsiveness in resource allocation, financial and in kind. 	<ul style="list-style-type: none"> – Strengthening community-based resources and responsibilities for (immediate: early and thorough) crisis responses. – Accountability crisis events and their cascading nature, e.g., league table.s – Normalising the extraordinary, by aligning the urgent with effective, forward-looking resource budgeting. 	<ul style="list-style-type: none"> – Situational awareness of the logic of ‘opportunity costs’ and risks of conflicting demands. – Effective leadership, by prioritising political and administrative defence points. – Valuing community-based institutions, by strengthening the capacity of political and administrative infrastructures. 	<ul style="list-style-type: none"> – Facilitating and triggering agency by enabling adaptive frameworks and crisis management resource budgeting.
Social sustainability	<ul style="list-style-type: none"> – “Lack of resilience”: Enabling social responsiveness, through advanced vulnerability assessments at the individual and grassroots level of social communities. 	<ul style="list-style-type: none"> – Strengthening community-based proactive measures. – Ensuring that aid-giving reaches those most in need, in a just and fair manner. – Streamlined processes for accessing the aid given, financial and in kind. 	<ul style="list-style-type: none"> – Strengthening the community as an ‘insurance’ for social support and protection, by enabling resource allocations for immediate communal emergency responses. – ‘Prevention failures’: Scaling the resources available to offset social, economic and political crisis threats. 	<ul style="list-style-type: none"> – Strengthening local institutions’ adaptivity to navigate crisis complexity, by enabling networked crisis governance for cross-level collaboration in crisis responses immediately and in the long term.
Supportive infrastructures	<ul style="list-style-type: none"> – Robustness of the governance system, by being sensitive and matching it to societal and institutional contexts of cascading crisis threats. – Strengthening crisis governance responsiveness and timely crisis responses at different governmental levels, related to financial and social sustainability (including reporting, accounting and auditing standards for received aid). – Leveraging information technologies / social media supporting the efficient allocation of resources for aid-giving. 			

Source: Table created by authors

For financial sustainability, the effectiveness of international donorship in fostering adaptive frameworks and resource allocation depends on the government ability to align global reform ideals with the local crisis context. It depends on the role taken by the international donors, whether they act primarily as enablers of institutional change or potentially disrupt it through contextual shortcomings. Thus, the effectiveness of such agency is anchored in the building blocks of a reflexive approach in international donorship: the donors’ adaptability to the local crisis context, the collaborative engagement with local actors, and tailored interventions aimed at stabilising financial resources and resilience. Failures in doing this incorporate the probability of neglecting local tensions and risks of political instability. Reflexivity and the subsequent degree of alignment ensure that international donorship resonates with the realities of the crisis response at the different layers of defence, while enhancing sustainability and effectiveness by respecting the complexities of the political and social landscape. It is the nuanced interplay of resources, local dynamics and strategic alignment that is critical for impactful donorship in national-international interactions.

Similarly, in the realm of social sustainability, reflexivity in multiple-actor collaborations serves as a critical platform for tackling complex societal challenges, not least by recognising the relevance of community-based social preparedness, also is related to international donorship. Strengthening collaboration within the institutions and actors of crisis governance and also in the communities at large is the bridge to align global aid-giving and managerial expertise with local contextual knowledge, creating a synergy that is vital for supporting social sustainability. International donors often provide financial budgets, managerial frameworks for robust governance responses and problem-solving expertise for engineering and social challenges, while national actors share localised insights, cultural understanding of local communities and operational capacity (Konovalenko & Vakulenko, 2024). Resilience, in terms of adaptiveness in framing the crisis situation, is an essential prerequisite for aligning the crisis response across multiple stakeholders, and this is facilitated by a critical assessment and harmonisation of formal and informal accountability mechanisms. In this respect, framing a coherent accountability system ensures that international priorities, such as equity and inclusivity, are translated into locally relevant partnerships and their situated crisis responses. Strengthening local institutions and their adaptive capacity, rooted in the interplay between national and international levels of crisis defence, establishes different opportunities for navigating the dynamic and multi-faceted societal challenges, promoting resilience and long-term sustainability. By building trust, fostering mutual responsibility and supporting collaborative learning, networked crisis governance becomes more effective in responding to crises.

Method and study design

Qualitative and in-depth exploratory case studies of Ukraine were conducted. Exploratory case studies are used to explore a new or understudied phenomenon and to generate new research questions, develop theories, or inform policy or practice (Yin, 2003). For this, a combination of primary and secondary data collection techniques was employed. This approach facilitated a comprehensive analysis of public financial management tools and decision-making processes in Ukraine during the crisis, offering insights from multiple levels of governance and a diverse range of stakeholders.

Primary data was gathered through individual in-depth and focus group interviews. The individual interviews were conducted through online and face-to-face interactions with such stakeholders as representatives from international donor organizations, officials from several Ukrainian ministries, local government representatives, third-sector organizations, and members of the Ukrainian business community. These stakeholders were selected based on their direct involvement in financial management and their availability to participate in the study. In addition, at least ten focus group discussions were organized with local stakeholders engaged in emergency response to complement individual interviews. Open-ended and guided discussions allowed for simultaneous data collection from multiple respondents, fostering a broader perspective on the investigated phenomenon.

The study extensively utilized secondary data sources, including official reports, legislative documents, and publicly available information from international institutions, Ukrainian central government, and local authorities. These sources enabled the reconstruction of decision-making patterns by tracing the sequence of policy measures introduced at multiple levels. Furthermore, they provided critical insights into public financial management tools, informing the development of the interview guide and enriching the contextual background for the study.

By integrating primary and secondary data sources interchangeably, enabled triangulation and enhance the credibility of findings. Firstly, official reports and legislative documents from key institutions were analysed to reconstruct decision-making patterns at meso, macro, and international levels. This structured approach allowed for a comprehensive review of financial support measures and governance responses from a multi-level perspective, subsequently informing the development of the interview guide. This research design allowed for a comprehensive examination of public financial management in Ukraine, ensuring a nuanced understanding of crisis response mechanisms and their implications for governance and economic stability and resilience.

Results

LESSONS LEARNT FROM UKRAINE

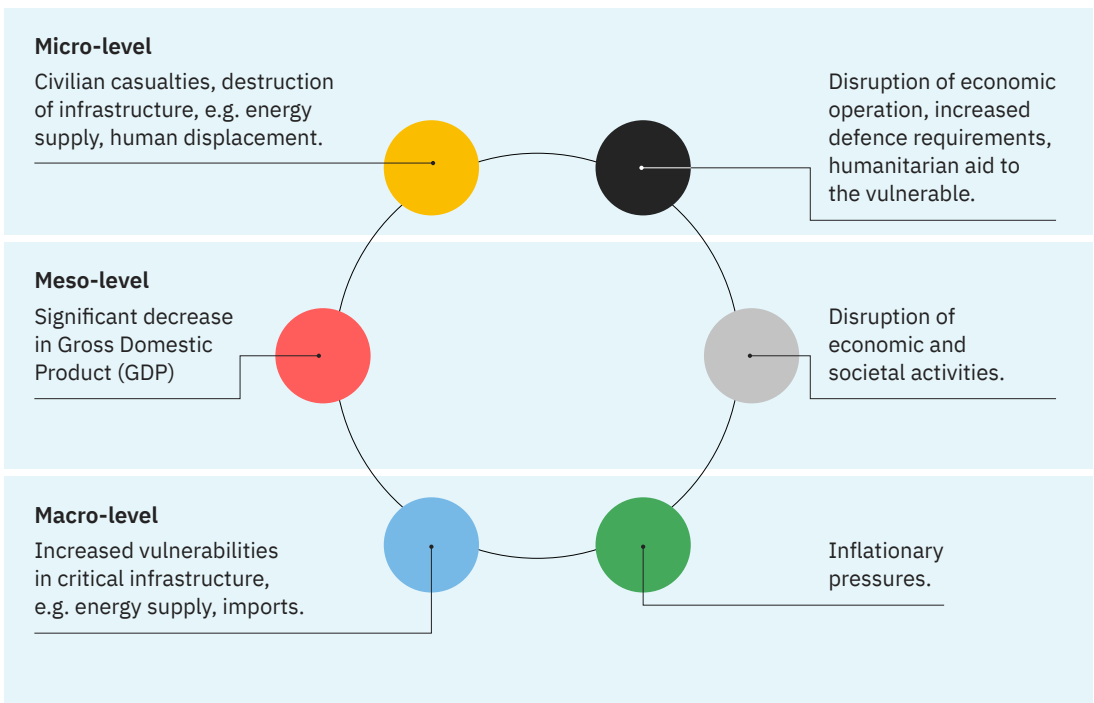
Crisis governance is not an isolated activity assigned to one public authority that bears responsibility for crisis response vis-à-vis public trust in international donorship and crisis governance. In the case of a crisis event, multiple actors are involved, making it necessary to ‘balance the books’, in terms of mobilising, recognising and allocating the resources and responsibilities required at each level and in each arena of crisis response. When society is threatened by a creeping and dual crisis, policy makers and managers in the public, private, voluntary and informal community sectors must somehow, separately and together, create crisis responses that take account of and counteract the threats of vulnerability.

One way to address the complexity and dynamism of this phenomenon, which we associate primarily with the reverse nature of crisis governance architecture, manifested in multiple actors and their interactions at the various levels and arenas of crisis defence, prior to and in the aftermath of the crisis event, is to consider each of its aspects as an analytical problem in its own right (theoretical implications). Another way is to make multiple actors visible by entering into a narrative about a crisis governance system in practice, its challenges and the realm of the human ecosystem and how they meet in a crisis context (practical implications). In doing so, we focus on how various actors in a multi-actor setting take responsibility for ensuring public finances in line with the social agenda for sustainability and fostering their mutually strengthening effects.

Our case (i.e. the crisis event) is the Russo-Ukrainian war, for which Figure 2 exemplifies the multi-level perspective on crisis governance, focusing on the social and economic impacts of the war.

Figure 2. Social and economic impacts of the Russian invasion and challenges faced during the Ukrainian crisis governance

Source: Figure created by authors



In the case of a crisis event like the first day of the Russian aggression on Ukraine, the central government became the first and the most powerful actor to respond to the crisis and the social, political and economic threats arising, not least by recognising the financial and societal efforts to tackle the needs of the vulnerable. At the same time, the state level is not the only arena for immediate humanitarian interventions, primarily in terms of the immediate survival aid given to the vulnerable.

At the central government level, the political and administrative actors of the Ukrainian government faced significant challenges early on, when it came to maintaining essential government functions in the midst of chaos, the uncertainty and incalculability of the consequences of the armed conflict. Crisis measures taken immediately covered the configuring of crisis governance architecture: activating and sharing warfare and humanitarian responsibility in civil and military administration, as well as multilateral units capable of coordinating the multi-faceted emergencies of military defence, disruption of economic activities or humanitarian needs caused by civilian casualties. Recognising the finite nature of domestic resources and capabilities, a further focus has been on attracting and sustaining national and international donorship, financial and in kind. This was primarily to increase the resources available at each level of crisis governance, with an emphasis on strengthening the layers of defence: stability and mobilising built-in flexibility in crisis responses and equally the financial and social recovery, involving many more of the uncertainties of a long-term perspective. As the support to civilians reveals, the framing of a crisis response to aid internally displaced persons (IDPs) was coordinated by various ministries. Despite the bureaucratic challenges of getting out of administrative routines, efforts were made to attract international support to cope with the scale of the needs.

The early effects of the Russian invasion were manifested at the grassroots level, while local governments (LGs), with their resources and shared responsibilities, emerge as one of the central actors of crisis governance. This level of crisis response was the first to be confronted with the human-made disaster and its economic and societal consequences, e.g., destroyed buildings and infrastructure, increased military defence requirements, humanitarian aid, but without having the resources immediately available. Prior to the Russian invasion, LGs' financial resources were divided into locally generated revenues and state-provided inter-budgetary transfers. Local revenues primarily came from local taxes, whereas inter-budgetary transfers were grants or subventions provided by the state to cover responsibilities that local revenues could not meet, such as education and healthcare.

The relationship between crisis threats and balancing the resources and responsibilities across levels and arenas of crisis intervention becomes evident. At the grassroots level, individuals, local organisations and social communities represent the agility and local knowledge to address immediate needs and vulnerability, while national and international actors provide the resources and mobilise the strategic oversight necessary for recovery and ensuring long-term sustainability effects, in financial as well as social terms and conditions. This brings to the forefront the multi-actor approach and a focus on how agency is taken by multiple actors, underscoring the strength but also weaknesses of flexible, responsive crisis governance capable of evolving with the demanding situation of a crisis event.

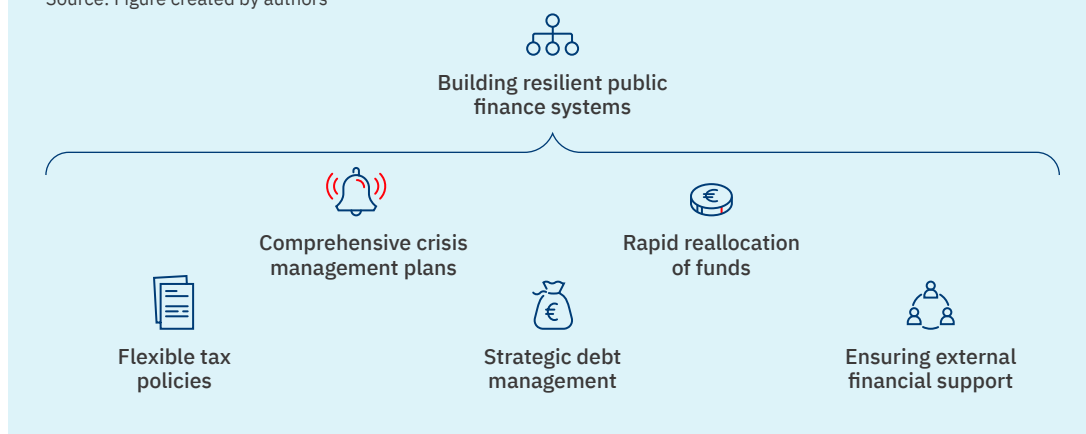
Central government level

The full-scale Russian invasion of Ukraine has presented significant challenges and lessons regarding thresholds of resilience and built-in flexibility when it comes to emergency budgeting. The measures undertaken by the Ukrainian government, the role of external donorship, financial and in kind, and also the elaboration of revenue and budget policies and programmes with a high-level of uncertainty offer valuable insights to gain practical implications. By investigating the specifics of Ukrainian financial challenges, fiscal governance and budgeting responses, as well as the impact of international donorship, lessons can be drawn that can be extrapolated to similar crisis situations in other national contexts.

Emergency budgeting, synonymous with 'war budgeting' in this context, refers to financial frameworks and strategic priorities set for resource allocations tailored to the exigencies of the armed conflict and whose long-term nature become apparent early on. The Ukrainian government had to respond swiftly to the financial uncertainty caused by the invasion, which led to unprecedented economic instability while decreasing the stability of its budgetary position (Markuts & Roberto, 2024). The war's impact included significant infrastructure destruction, civilian casualties and economic operations' disruption, resulting in a dramatic 28.8% Gross Domestic Product (GDP) decrease in

Figure 3. Ensuring financial sustainability during crisis: Strengthening resilience and the built-in flexibility in the Ukrainian public finance system

Source: Figure created by authors



2022, exacerbated vulnerabilities in Ukraine’s energy supply and import channels, as well as inflationary pressures. The physical devastation endangers directly the socio-economic stability and growth, but it is difficult to calculate, making the fiscal policy and budgetary arrangements more difficult and disrupting budgeting and accounting routines. The need for an extraordinary military budget was immediate, including not only military operations but also the displacement of labour forces and the substantial interruption of economic activities and growth. Balancing urgent needs with long-term fiscal stability and recovery became a primary concern in aligning the fiscal framework. In order to cope with the high level of uncertainty, the Ukrainian government has had to pursue a much more adaptive fiscal policy and reframe its strategic priorities, not least by mobilising and strengthening the built-in flexibility in the areas of budgeting, tax policies and debt management, as displayed in Figure 3. The instruments employed aimed to balance compelling military and security needs with priorities for stabilising economic growth and the welfare of citizens, as the complementary social agenda, while protecting fiscal stability. In this respect, strengthening the public finance system in its flexibility and priorities was essential to allow for budgeting responses to uncertain revenues and expenditure needs, while maintaining the credibility of budgeting and debt management. This is reflected in the scope of fiscal and governance measures enabling more comprehensive fiscal crisis governance by the Ukrainian central government (Markuts & Roberto, 2025):

Rebalancing government spending and the budget deficit

- Between 2021 and 2023, total government spending increased by over 200%, primarily due to military and security expenditures. To provide the necessary liquidity to support the immediate military effort, the central government sequestered non-priority expenditure (i.e., infrastructure projects, public administration tasks, environmental protection activities, etc.) and prioritised spending on military and security, essential social services and debt servicing.
- While social protection spending initially increased to support vulnerable groups, e.g. IDPs, expenditure on healthcare and education were scaled back. Over the course of the armed conflict, the government has incrementally channelled financial resources back into areas that were deprioritised or underfunded in the early phase.
- The budget deficit has widened considerably, due to the sharp increase in military and security expenditures and declining tax revenues. Thus, the government has increased borrowing, issued military bonds and turned to direct monetary financing. The National Bank of Ukraine played a crucial role, by buying military bonds and providing liquidity in this way, resulting in the deficit being monetised. This policy tool was initially excluded on account of inflation risks, but over time became increasingly important.

Flexible tax policies

- Tax measures were introduced in the short term to stabilise tax revenues and support business due to the economic turmoil, including the possibility of paying a substantially reduced sales tax instead of Value Added Tax (VAT) for almost all types of business, as well as offering temporary tax incentives for critical imports (e.g. food, vehicles for military needs).
- Reporting deadlines were postponed and tax audits prohibited, which created a more supportive environment for individuals and businesses. Following the first phase of the war, there was a slow return of some obligations as adjustments became necessary.
- State-owned enterprises were mandated to contribute part of their net profits, leveraging internal resources to compensate for war-related revenue losses. This helped mitigate some of the revenue losses, showing a practical approach to utilising internal resources during a crisis.

Strategic management of public debt

- The increased borrowing significantly increased the public debt and threatened the long-term stability of the budget. The government therefore committed to paying the current debt service, supplemented by the successful restructuring of public debt.
- The creditors from the G7 countries and the Paris Club recognised Ukraine's exemplary debt service, postponing the payment of the principal and interest until the end of 2023, with the possibility of an extension until 2027. This achievement demonstrates how strategic and long-term the management of public debt can be under extreme conditions.

Increasing transparency and digitalised financial and administrative services

- Ukraine's strong reliance on international donorship underscores the need for transparency towards fiscal management to avoid a debt crisis. Cooperation with international partners became essential to maximising the impact of aid, while continued e-governance efforts remain critical to ensuring public accountability.
- The Accounting Chamber of Ukraine has been undergoing reform towards introducing international auditing standards, to ensure the transparent use of the aid-giving funds (Lyutyy, Vakulenko, Zaichykova, & Stefaniuk, 2025).
- Strengthening digital governance and restoring budget transparency were vital for ensuring financial stability and reducing uncertainty during the war, and likely after. Alignment with European governance standards and the continuation of anti-corruption efforts further consolidate Ukraine's progress.
- The government launched e-platforms, e.g. Prozorro and Dozorro, to increase transparency in government procurement. The e-platforms provided public oversight of state and local budget expenditure, while the Trembita data exchange platform improved secure data sharing between government agencies (Markutz & Roberto, 2024).
- The Unified State Web Portal for Electronic Services (Diia) is a measure to further digitalise financial and other administrative procedures, offering services like tax filing and property registration, as well as wartime tools, such as reporting Russian troop locations. During the war, Diia rapidly expanded to accommodate nearly 20 million users by 2024 and introduced over 70 new services tailored to citizens' needs.
- The BI.Customs platform was introduced to provide accessible customs and trade data, in order to achieve greater transparency in customs and public financial management. Recent upgrades in the administration of tax and customs as well as improved data security have strengthened public financial management.

Social and humanitarian efforts to protect community safety and welfare

- Policies and programmes fostering community safety and welfare included the establishment of community-based safety measures and humanitarian hubs and shelters across safer regions of Ukraine. Furthermore, online learning platforms were established, e.g., "All-Ukrainian School Online", enabling displaced students to continue their education remotely.
- Channelling different types of support (humanitarian and financial) to vulnerable groups initiated the 'eDopomoga' platform, a government-run digital initiative, enabling citizens to apply for humanitarian and financial aid quickly and efficiently. For example, direct financial assistance programmes, such as monthly cash payments to displaced families and individuals, were organised in coordination with international partners like the World Bank and United Nations (UN) agencies. The funds could be used to cover basic needs, including housing, food and medical care.

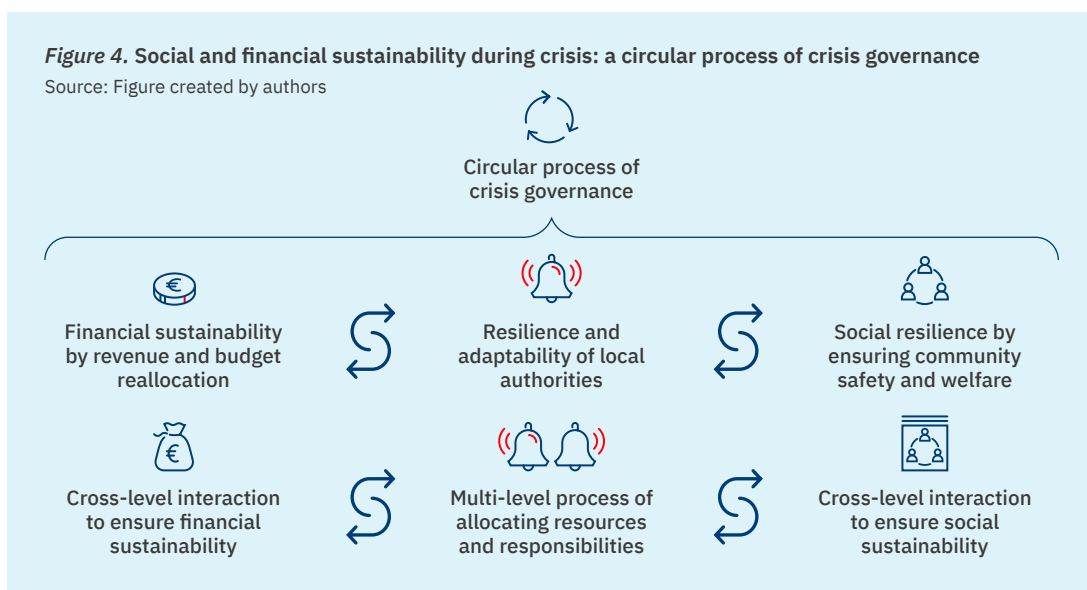
The central government level played a crucial role in financial crisis governance, not least by introducing additional subsidies for LGs in de-occupied and negatively affected territories. These funds were allocated for the restoration of critical infrastructure and to address the ecological consequences of the war, among other priorities. Throughout this period, LGs exhibited adaptability, as they reorganised their financial management systems to optimise resource allocations, sought new funding sources and adjusted expenditure to align with changing circumstances. The complexity of managing public finances and debt is accentuated by the need to constantly re-plan and adapt to the crisis situation, highlighting both the uncertainty and the non-linear dynamics of financial crisis management.

Local government level

As a human-made disaster, the Russian invasion has placed Ukrainian local government under uncertainty, stress and far more unanticipated tensions. Faced with immediate damage and losses caused by the armed conflict, as well as a high number of people leaving their homes (IDPs), each local authority has had to stabilise financial management while maintaining the provision of essential public services. Local authorities were additionally challenged by needing to anticipate and adjust for the long-term consequences at their local jurisdictional level given the impossibility of detaching damages and losses from reconstruction and recovery. In respect of this, Ukrainian LGs demonstrated a high level of agency and capacity to act to balance local priorities and the allocation of appropriate resources for immediate needs and long-term recovery, as displayed in Figure 4.

Figure 4. Social and financial sustainability during crisis: a circular process of crisis governance

Source: Figure created by authors



The value of aligning state and local financial systems, complemented by a high degree of flexibility in financial decision-making, is visible in the circular nature of local crisis governance, which reflects the challenge of ensuring both financial and social sustainability (Vakulenko, et al., 2024):

Circular process of local crisis governance

Initially, LGs engaged in normalisation by reallocating existing resources to meet urgent needs, such as local security and humanitarian aid, while navigating revenue declines caused by disruption to economic activities. The focus was on immediate responses to stabilise essential public services and protect critical infrastructure. In re-planning, LGs prioritised balancing urgent needs with recovery efforts, using legislative flexibility to transfer funds, and seeking international aid to ensure long-term sustainability.

Financial sustainability challenges for local governments

- Revenue adjustments were required for two mutually reinforcing reasons, one due to declines in local revenues as a result of infrastructure destruction, business closures and displacement (depending on the region) and the other due to central government tax exemptions. For example, initially there was a single tax that went to the local budget, increasing their revenues, which, after the tax incentives were cancelled, led to a corresponding decrease in the local revenues.
- Resource allocation was focused on stabilising financial management, reallocating funds to urgent needs such as local security and infrastructure maintenance, and the further balancing of emergency needs with recovery plans, aided by legislative flexibility to transfer funds between budgets.
- Additional funds were also obtained through international aid, by requesting grants and loans to finance recovery and reconstruction to improve living conditions.

Addressing social sustainability challenges

- Support for vulnerable groups can be exemplified by IDPs, who required urgent humanitarian aid at the onset of the Russian invasion, including shelter, food and medical assistance. LGs also focused on providing essential services, such as healthcare, education, psychological support and legal assistance, in coordination with NGOs.
- It was vital to maintain and enforce community safety and welfare. This appeared via the strengthening of local security and defence units through financial and logistical support and assistance with evacuation and resettlement activities.
- Focus on economic development was raised by planned infrastructure repairs and public service enhancements, to foster recovery and attract businesses.

Resilience and the built-in flexibility of local authorities

- Local governments were able to prioritise and balance their financial assets to address both immediate needs and long-term recovery projects.
- Legislative changes and international aid provided the flexibility and funding needed to navigate the dynamics caused by the wartime environment.
- Adaptability was strengthened through collaboration across multiple levels of crisis governance and strategic planning for recovery.

Central–local interactions

As indicated by the circular process of local crisis governance, financial conditions shifted dramatically, as LGs had to balance the competing humanitarian needs while defining priorities. One major challenge was to adequately address the constantly emerging and sometimes contradictory needs, given the limited institutional capacity and fragile social, economic and security conditions, thus challenging LGs' fiscal health. Tax revenues decreased, due to central authorities granting tax exemptions to support businesses and individuals affected by the war. For instance, certain categories of taxpayers were exempted from paying single and environmental taxes, property tax, and excise tax on fuel imports. Despite these exemptions, LGs managed to stabilise their finances through increased income from personal income tax, driven by higher salaries for military personnel and the relocation of businesses from occupied territories. Simultaneously, LGs had to prioritise expenditure, to address immediate needs, such as local security measures, humanitarian aid and infrastructure repairs. This gave rise to an urgency to shift from compliance to the strategic nature of anticipatory financial management and accountability, even if the focus on the immediate allocation of resources to meet urgent demands remains in place. One way to go was for LGs to suspend non-essential expenditure to safeguard their financial stability for critical needs.

In this regard, LGs departed from compliance with accounting and budgeting laws and their operating procedures in some way, while agency was taken strategically, to develop elements of their own system of resource allocation (local financial resources), which were further integrated into a larger compounded whole (i.e., local financial management in a specific LG). Thus, the circular nature of crisis response in Ukraine displays the dynamic interplay across the micro-, meso- and macro-levels of crisis defence, as also outlined in Figure 4.

The distinctiveness of national-local interaction in the circular process of crisis governance

- The process of crisis governance entails a multi-level process of allocating resources and responsibilities and thus also the multiple actors involved at each level of defence.
 - Micro-level: NGOs, volunteers, and community organisations acted immediately to meet urgent humanitarian needs, often without waiting for national directives.
 - Meso-level: Local governments (LGs) activated institutional mechanisms to allocate resources and maintain essential services, while adapting to emerging challenges.
 - Macro-level: Central government focused on mobilising international resources, creating strategic frameworks and ensuring alignment with national defence and reconstruction goals.
- The circularity of the process is particularly evident in cross-level interactions.
 - Acknowledging bottom-up governance is essential and of primary importance, since local actors necessarily took initiative, creating a bottom-up momentum that influenced (positively or negatively) strategy-making at other levels of defence.
 - Continuous cross-level interactions enabled feedback loops, supporting those local realities, informed strategy-making and policy adaptations.
 - Decentralised decision-making at the local level was reinforced by national frameworks, ensuring rapid and targeted responses to evolving needs.

Interaction to foster financial resilience for ensuring financial sustainability

- When considering the revenue challenges and adaptive measures, Ukrainian LGs faced severe financial strain, due to destruction, business closures and population displacement. Tax exemptions introduced by the national government to ease the burden on businesses and individuals early on increased the local revenue streams, but, later, as tax changes were cancelled, this further reduced local revenue streams.
- Legislative flexibility for crisis response by the central government empowered LGs with greater financial autonomy, enabling the reallocation of funds to address urgent needs such as local security, infrastructure repairs and humanitarian aid. Legislative changes also allowed LGs to prioritise expenditure under martial law and use reserve funds for emergencies.

- Planning capital expenditure for reconstruction became important, since LGs transitioned from short-term emergency responses to strategic financial planning, balancing immediate needs with long-term recovery efforts. National frameworks facilitated this shift, ensuring coherence in financial governance and the prioritisation of reconstruction goals.

Interaction to foster financial resilience for ensuring social sustainability

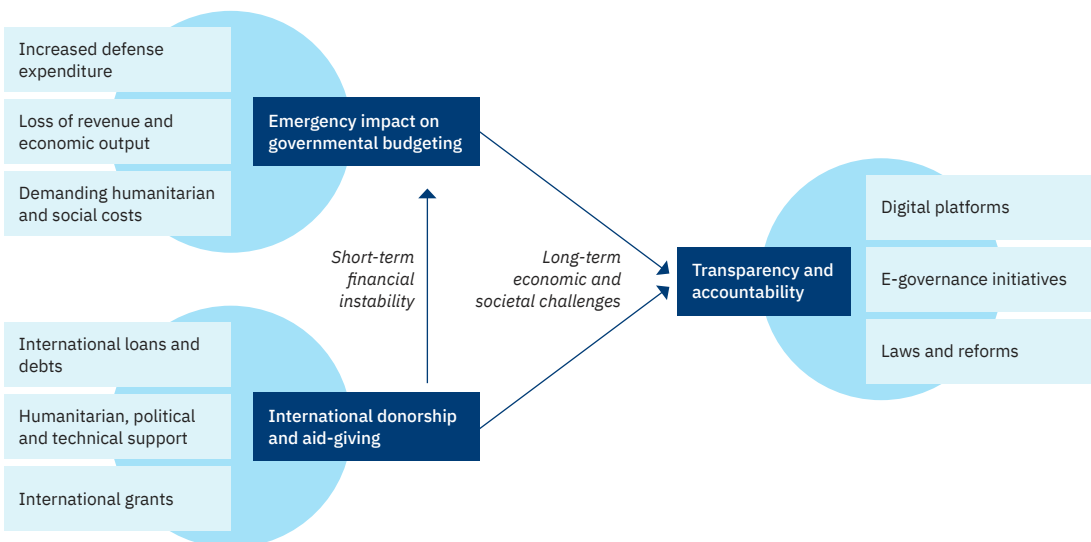
- For immediate humanitarian response, LGs worked closely with NGOs and volunteers to provide support for IDPs, including shelter, food, medical care and psychological assistance.
- To coordinate service delivery, LGs implemented IDP registration systems, enabling access to financial aid, healthcare, education and housing. National-level policies on IDP assistance were informed by data and feedback from local actors, ensuring relevance to ground realities.
- Long-term community integration is associated with crisis continuity. LGs shifted their focus to integrating IDPs into local economies and communities. National and local collaboration enabled the development of social programmes and economic initiatives to foster stability and rebuild trust between displaced and host populations.
- In infrastructure and social recovery, national and local governments worked together to restore infrastructure, enhance public services and attract businesses, promoting economic and social recovery. This interaction supported both immediate needs and the creation of an environment that can be sustainable, ensuring long-term growth.

National–international interactions

Unlike typical economic crises driven by financial mismanagement or global market shocks, the Russo-Ukrainian war is a geopolitical conflict, with far-reaching economic, social and environmental ramifications, stretching far beyond the sovereignty and borders of Ukraine. In this context, the international partners, including international financial institutions (IFIs), the EU and governments, found themselves at the intersection of economic challenges with urgent humanitarian needs and the necessity for long-term reconstruction under substantial uncertainty. This was further compounded by legal and sovereign issues and an immediate need for resource mobilisation and the co-ordination of diverse actors and commitments (Figure 5). This multi-faceted crisis forced Ukraine’s international partners to go beyond their conventional roles of supporting economic stabilisation and development and highlighted the need for innovative and flexible approaches to cope with the crisis context.

Figure 5. Ukrainian government’s budgeting resilience due to the uncertainties of the war

Source: Markuts & Roberto, 2025



Conflict sensitivity plays an important role in forming international partners' strategies in complex situations, requiring them to adopt approaches that aim to understand the underlying dynamics of the conflict and ensure that their interventions are effective. The Russo-Ukrainian war caused several subsequent crises, highlighting critical issues for partner countries' governments and the broader international community. The conventional role is largely focused on providing financial assistance, policy advice and technical support to countries facing economic difficulties.

The continuity and the nature of modern conflicts have prompted the transformation of the global community response to the crisis and impacted national-international interactions. This has led to an expanded role for international partners that includes a broader set of responsibilities and actions, as well as flexibility and adaptability. IFIs have started integrating humanitarian assistance and financial support, ensuring that funds address immediate security and humanitarian needs, such as health-care, food and shelter in dangerous locales. While immediate fiscal and monetary crisis responses remain crucial, international partners are now combining them with long-term impact strategies aimed at development outcomes despite high uncertainty, to help countries become more resilient and sustainable.

In this respect, insights from the Ukrainian case indicate an increased focus on flexibility and responsiveness when it comes to international donorship and the dynamics of conflicts for crisis management and aid-giving. At the national-international intersection, public finance and budgeting systems need to have a higher degree of flexibility, to adapt more quickly but also continuously to the changing needs of an enduring crisis context. The opportunities for reallocation of resources to address immediate social needs, establishing emergency funds, and streamlined processes for accessing these funds help ensure timely responses to emerging social issues.

Valuable conclusions can be drawn for the international community, donor organisations and domestic crisis governance, in terms of actors, measures and instruments to ensure financial and social sustainability (Konovalenko & Vakulenko, 2024):

Distinctiveness of the national-international interaction during crisis governance

Multi-level coordination and its circularity was visible when Ukrainian central government acted as the primary intermediary between international donors and local actors, ensuring that aid met ground-level needs. Coordination platforms like the "Ukraine Reconstruction Platform" and "Multi-Agency Donor Coordination Platform" were established to streamline international contributions and align them with national priorities. Decentralised adaptation appeared when international actors relied on national government for distributing resources and ensuring regional equity.

The dynamic becomes apparent in changing roles and structures. Initially, international aid focused on short-term humanitarian needs, such as food and medical supplies. As the crisis continued, it shifted towards long-term goals like infrastructure rebuilding and economic stabilisation. International organisations adapted their processes to the volatility, ensuring timely and context-specific assistance.

Interaction to ensure financial sustainability

For immediate financial support, international donors provided emergency aid packages to stabilise Ukraine's economy, covering public sector salaries and urgent social needs. Direct funding mechanisms like the National Bank of Ukraine's humanitarian account enabled the central government to allocate resources to critical areas, including social protection and housing for IDPs.

For infrastructure and economic recovery, aid was directed towards rebuilding essential infrastructure, improving living conditions and supporting military logistics. Collaborative international-national planning ensured that financial inflows addressed both immediate needs and long-term recovery, balancing emergency expenditure with fiscal health.

Interaction to ensure social sustainability

Urgent humanitarian support was obtained from international organisations and donors but had to be attentively coordinated by national authorities to deliver critical humanitarian aid to IDPs and war-affected populations.

To sustain community welfare, reimbursement programmes for local governments hosting IDPs were introduced, with national authorities redistributing international funds to cover utility costs and other public services. Long-term social programmes focused on rebuilding trust, promoting economic stability and fostering cohesion between IDPs and host communities.

In summary (Table 2), the crisis context in Ukraine has underscored the critical importance of financial and social sustainability for immediate aid-giving and long-term recovery. Widespread displacement, loss of livelihoods and infrastructure destruction have deepened poverty and disrupted financial sustainability. Ukraine’s resilience was supported by international donorship, covering substantial financial aid, enabling vital social programmes and prospects for long-term infrastructure recovery. Financial mechanisms, including international grants, loans and private investments, have been essential in ensuring continuity of support. Key lessons emphasise the need for adaptable public finance systems, transparency and accountability to maximise resource efficiency. Strengthening local institutions and social protection systems ensures that aid reaches vulnerable populations, fostering long-term social sustainability.

Table 2. Crisis governance architecture in practice: practical implications of Ukrainian responses

	ACTIONS		LEVELS OF INTERACTION	
	Central	Local	Central–local	National–international
Financial sustainability	<ul style="list-style-type: none"> – Rebalancing budget expenditures and the budget deficit. – Flexible tax policies. – Strategic management of public debt. – Ensuring external financial support, gaining credibility for international donorship. – Increasing transparency and digitalised financial and administrative management. 	<ul style="list-style-type: none"> – Re-allocation of revenues for normalising the revenues and further re-balancing. – Focus on stabilising financial management while sustaining essential public services, e.g., local security and infrastructure. – Leveraging legislative flexibility to transfer funds between budgets. – Seeking funding for financing recovery projects. 	<ul style="list-style-type: none"> – Multi-level process of allocating resources and responsibilities, acknowledging ‘bottom-up’ governance mechanisms and cross-level interactions. – Micro-level: Helping vulnerable groups immediately, without upper-level authorisation – Meso-level: Institutionalising mechanisms for coordination, e.g., resource allocation, maintaining essential services. 	<ul style="list-style-type: none"> – Coordination with the central government as the intermediary level of multi-level national collaboration. – Shift from immediate vulnerability to long-term sustainability – Changing roles and structures for the long-term nature of international donorship. – Collaborative planning systems and platforms, e.g., the Ukraine Reconstruction Platform and Multi-Agency Donor Coordination Platform.
Social sustainability	<ul style="list-style-type: none"> – Policies and programmes fostering community safety and welfare. – Channelling different types of support (humanitarian and financial) to vulnerable groups. 	<ul style="list-style-type: none"> – Supporting vulnerable groups by volunteering, in-kind contributions. – Providing legal advice, psychological support, etc. to vulnerable groups. – Enforcing community safety and welfare by building local partnerships. – Adaptability through collaboration. 	<ul style="list-style-type: none"> – Capacity building for community-based forms of emergency management, enabling bottom-up feedback from local communities. – Focus on infrastructure and social recovery. – Importance of integrating internally displaced persons (IDPs) into local economies and communities. 	
Supportive infrastructures	<ul style="list-style-type: none"> – Increasing transparency and digitalised financial and administrative management, e.g., e-platforms in public procurement and to achieve data security, e-government services like tax filing, property registration, and auditing the aid-giving funds. 			

Source: Table created by authors

Recommendations for Swedish crisis governance

Robustness, adaptability and transparency in crisis governance are vital sources to ensure financial and social sustainability, both in the short-term immediate responses and in managing critical long-term crisis effects. The crisis-induced urgency ‘now’ depends on the vulnerability of society, at an individual and local community level, and the capacity of crisis governance to manage the multiple authorities and arenas to contain the crisis, especially important when thresholds of societal resilience are violated. In this respect, reflecting on and learning from what happens after a crisis event which puts a whole society at risk - such as the Russian invasion and the military, financial and humanitarian threats faced by Ukrainian crisis governance - is not just about the demands to reallocate resources in times of a human-made crisis. It is equally about the opportunities and challenges associated with mobilising an adaptive and reverse framework of crisis governance capable of responding to what is unforeseen in the actual crisis. The multiple actors involved, the circularity of multi-actor collaborations and the built-in flexibility in institutional and organisational arrangements of crisis governance become key. During crisis, the balance between crisis responses and long-term recovery depends on built-in flexibility. This flexibility functions as a trigger that can either be a strength or a weakness for the multiple actors’ collaborative work in responding to and managing the respective crisis threats.

For Sweden and other countries, investment in extra capacity to effectively ‘govern the unexpected’ of a crisis event - which potentially disrupts a society’s antecedent properties of prevention and cuts across the macro-, meso- and community-based levels - is recommended:

- Macro-meso level: Strengthening mechanisms, measures and in-built flexibility for protecting financial and social resilience while allowing for post-crisis recovery.
- Meso-micro level: Enhancing mechanisms and measures of circularity to strengthen the legitimacy and credibility of multi-level crisis responses.
- Community-based level: Building mechanisms and measures to enable ‘reverse’ (community based) crisis governance, embedded in the situational awareness and the engagement of local communities and neighbourhoods.

At a country level, by reflecting on such trigger points and their value for managing human-made crisis, responses to financial resilience and social preparedness should be re-evaluated. This better ensures economic and social stability based on the actual effectiveness of the crisis governance. For the international community and donor organisations, it is similarly important to focus on resources and responsibilities associated with the built-in flexibility of crisis responses. Here local capacity building, targeted programmes for social stability, sustainable and credible funding concepts, technological integration, coordination and resilience-building are important in ensuring financial and social sustainability during and after crises.

To ensure financial sustainability, the Ukrainian crisis governance and its responses in emergency budgeting in the midst of the war offer a first set of valuable lessons for both Sweden and the international community. The strategic reallocation of funds, flexible tax policies, ability to use unpopular instruments, such as budget deficit monetary financing, and robust debt management are critical components that have helped Ukraine navigate its fiscal challenges. Additionally, the role of international financial support in stabilising the economy cannot be overstated. In terms of ensuring financial sustainability, the following key points can be emphasised:

1. Comprehensive crisis management plans

Developing comprehensive crisis management plans that incorporate emergency budgeting, international support and flexible fiscal policies is essential. These plans should feature adaptable budgetary processes that can be quickly adjusted to respond to unforeseen events, such as conflicts or economic crises. Sweden can benefit from a holistic approach that anticipates various crisis scenarios and outlines clear action steps.

2. Building resilient public financial management systems

The need for resilient public financial management systems that can withstand shocks is evident. This includes establishing robust mechanisms for rapid fiscal adjustments and ensuring that there are contingency plans in place for various crisis scenarios.

3. Rapid reallocation of funds

Sweden and other countries can learn from Ukraine's quick reallocation of non-priority expenditure to critical areas such as defence and social services. In times of crisis, the ability to swiftly redirect funds can be crucial in maintaining stability and addressing urgent needs.

4. Flexible tax policies

The effectiveness of Ukraine's tax incentives in stabilising revenues suggests that flexible tax policies can provide significant relief to businesses during crises. Sweden could consider implementing temporary tax adjustments to support its economy in emergency situations.

5. Strategic debt management

The restructuring of state debt and negotiations with international creditors are critical in managing fiscal stability. Sweden could benefit from having pre-emptive strategies for debt management and strong international relationships to negotiate during critical times.

6. Ensuring external financial support

The importance of international financial assistance in the Ukrainian case underscores the need for robust international partnerships. Sweden should continue to strengthen its alliances to ensure access to financial support if required.

To ensure social sustainability and balance it with the financial sphere of crisis responses, the effectiveness of Ukrainian crisis governance in immediately helping the most vulnerable is of similar interest. The crisis event reveals social vulnerability, and an individual's and community's exposure to it. In this respect, placing an emphasis on community-based forms of resource allocation to vulnerable people, such as the internally displaced, helps to recognise the human ecosystem as a complementary level of crisis defence, and the 'reverse' nature of crisis governance. The crisis event disrupts the social sphere by massively destroying society, its resources, infrastructures and stability. The human ecosystems, with respect to a focus on community cohesion and local adaptability, struggle to maintain stability and, consequently, the competence to handle the immediate humanitarian needs, such as the economic and health risks stemming from the 'refugee burden'. Ensuring social sustainability then relates to the following key points:

Sustaining social resilience and credible strategies for the most vulnerable in society

This is about channelling resources and the capacity of vulnerable people, both of which are necessary to absorb, adapt to and recover through crisis response – not least by mobilising individual or communal assets, taking the neighbourhood as a collaborative, mutual supporting network and a social protection scheme for sustaining social stability.

Strengthening the community as an ‘insurance’ for immediate social support and protection

Mobilising the infrastructures of society, e.g. networked neighbourhoods, and fostering competence and responsibility in collaborating for (immediate) crisis responses ensures that the aid reaches those most in need, in a just and fair manner.

Post-crisis recovery of society by social inclusion

When society is disrupted by a crisis event, immediate responses to the most vulnerable build the groundwork for its long-term recovery. Maintaining individual and communal assets by means of targeted social policies and programmes, including advanced vulnerability assessments on the individual and local community level, is an enabling mechanism to foster social resilience.

Conclusions

A crisis event that puts society at risk, as in the case of the Russian invasion of Ukraine, is an extraordinary challenge. It is by its nature deeply volatile and vulnerable, destroys the social and economic spheres and is an existential risk for society. If crisis governance fails, sovereignty and democracy may also be in jeopardy. In this respect, the analysis presented here linking insights from crisis governance, disaster and emergency literature to a specific context, and summarised in Table 3, can be of value but should be viewed tentatively given the inherent limitations.

Table 3. The circular nature of the crisis ecosystem for ensuring financial and social sustainability in the aftermath of a crisis event

	Macro-meso level: Protecting financial and social stability while enabling post-crisis recovery	Meso-micro level: Circularity to foster the built-in capacity of crisis governance	Community-based level: Enabling 'reverse' (community-based) crisis governance
Ensuring financial sustainability	<ul style="list-style-type: none"> – Sustaining fiscal stability: funding policy complemented by strategic debt and tax management for protecting the public debt, focusing also on the 'capacity-to-repay' for international donorship and debt servicing – Credible budgeting strategy: strengthening built-in flexibility in budgeting and financial resource allocation, with a focus on strengthening trustworthiness, e.g. transparency, accountability. – Post-crisis budgeting recovery: conflict sensitivity while facilitating multi-donor programmes for stabilising the fiscal, economic and social environment. 	<ul style="list-style-type: none"> – Sustaining responsiveness to crisis threats: stabilising financial management while maintaining essential ('protected') public services, e.g., local security and communal infrastructures, with a focus on strengthening 'thinking outside the box' for each layer of defence. – Leveraging legislative flexibility for local budgeting: aligning the local ('own') to state-level ('transferred') financial opportunities, focusing built-in flexibility in normalising the extra-ordinary for re-balancing revenues and budgeting. – Post-crisis budgeting recovery: effective, forward-looking budgeting, balancing needs and competing priorities in engaging with 'uncertainty'. 	<ul style="list-style-type: none"> – Leveraging situational awareness and competence: activating information and (social) media management (digital platforms, digital cash transfer and mobile banking systems) to share needs of and responsibilities for an efficient and fair allocation of aid giving, e.g. the 'refugee burden.' – Strengthening community-based engagement and timely crisis responses: providing accounts for financial stability (e.g. credibility for international donorship) and the 'rules of crisis conduct' of society (e.g. civil society: the formation of responsive networks in the neighbourhoods). – Facilitating and triggering pro-activity, individual and community-based: enabling institutional entrepreneurship and resources budgeting for crisis responses from the 'bottom up'.
Ensuring social sustainability	<ul style="list-style-type: none"> – Sustaining social stability: channeling resources for the social capacity of vulnerable people to absorb, adapt to and recover by crisis response, both on individual and communal levels. – Credible strategy for the most vulnerable: mobilising individual or communal assets, collaborative networks, social protection schemes and/or external aid-giving. – Post-crisis recovery of society: fostering safety by targeting coalitions for social policies and programmes, with advanced vulnerability assessments, covering the individual and social communities. 	<ul style="list-style-type: none"> – Strengthening the community as an 'insurance' for social support and protection: mobilising the infrastructures of society, e.g. networked neighbourhoods, fostering competence and enabling responsibility in collaborating for (immediate) crisis responses. – Ensuring that aid reaches those most in need, just and fair: immediate support for the vulnerable, without upper-level authorisation, tackling the 'incalculable' by fostering volunteering, in-kind resources, strengthening legal advice and psychological support. – Post-crisis recovery by social inclusion: integrating the vulnerable and displaced into local. 	

Source: Table created by authors

Even more than in the case of a natural disaster, the societal context is at risk. The need for a purposeful crisis governance to both ensure financial sustainability and social sustainability is of extreme importance. But it is also compounded by what may be described as the impossibility of just bouncing back, namely to both respond and recover when facing societal vulnerability and return to earlier states of social and economic health and welfare. In this respect, strengthening our focus on the built-in flexibility in institutional and organisational arrangements of crisis governance, taken less as an emergency plan but more as a prevention, and on the necessity of ‘thinking outside the box’, displays what may become a strength or weakness when crisis governance comes into action, specifically:

Enabling factors of ‘reverse’ (community-based) crisis governance

Individuals and social communities are the most vulnerable but also important as actors with competence and engagement when a crisis event threatens society and, thus, the systemic-level conditions of ensuring financial and social sustainability. There is urgency to take this as a blind spot in calibrating resilience, the temporality of crisis-induced political conduct and commitment and crisis governance capacity.

Reflecting ‘dynamic resilience’ as an approach to enrich crisis governance

The strengths and weaknesses of a prospective, long-term sustainability agenda (economic growth, social health and sovereignty) may ‘now’ be valued as an antecedent of and challenging for crisis response and long-term recovery. However, the relationship may also be taken in reverse. There is urgency in better understanding the resilience-building process itself and the strategic patterns creating the competence and social capital when considering the circularity of multi-actor/multi-level collaborations in reverse crisis governance.

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This report summarises the results of a pilot study on fiscal and social sustainability in times of crises, with a particular focus on Ukraine after the Russian invasion of February 2022. The report considers the question both theoretically and empirically, providing insights into Ukraine's own crisis management as well as recommendations and learnings for other countries.

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