‘New Institutional Leadership goes viral’
EU crisis reforms and the coming about of the Covid Recovery Fund

Accepted for publication in European Journal of Political Research

Sandrino Smeets (Radboud University) and Derek Beach (Aarhus University)

Abstract

This article reconstructs the coming about of the 750 billion EU Covid Recovery fund. We provide an embedded process-tracing analysis of the dynamics from mid-March 2020, when the idea of ‘Corona-bonds’ was parachuted onto the Heads’ Agenda, up until the ‘historic’ deal on the MFF and Recovery Fund of 21 July. Where most media accounts and scholarly assessments focus on the high-level deal-making between political leaders, we trace the proceedings inside the EU’s institutional machinery, which produced the solutions and laid out the groundwork for a deal. The reconstruction assesses the role and influence of the EU institutions – the European Commission in particular – in producing this major step. We show that the process was characterized by a handicapped European Council, which hampered the ability of member states to oversee and control developments. The conclusions discuss the implications of our findings for our understanding of (institutional) leadership and policy-making during crisis.

1. Introduction

On 21 July 2020, after five days of continuous negotiations, the Heads of State or Government of the European Union (EU), reached an agreement on a new Multiannual Financial Framework (MFF) and a 750 billion Covid Recovery Fund (named ‘Recovery and Resilience Facility’, RRF). The deal was hailed a historic breakthrough – a Hamiltonian moment even – as the first time the member states agreed to a form of debt mutualisation through the joint issuance of European debt (Financial Times 2020; Politico 2020f; Ludlow 2020d). In terms of the size and set-up this was an unprecedented step in European integration. What was most revolutionary was the principle of *borrowing for spending*, which allowed the European Commission to go out on the financial markets to acquire debt, guaranteed to be paid back by the member states, and hand it out in the shape of grants instead of only loans (within the context of Community programs). While there are some caveats to calling this the first ‘EU bond’ – the RRF is intended as a temporary, one-off measure and there is no mutualisation of existing national debt – this is nevertheless a 'quantum leap' in European integration, both financially and institutionally.[1] In an EU that it supposedly characterized by reluctant member states coming up with 'too little, too late' type of solutions (Börzel, 2016; Jones et al, 2016; Mody, 2018), how do we explain such a major step?

The deal was also remarkable in terms of the remarkably short negotiation process. The idea had its first appearance under the label of 'Corona bonds', which landed on the table of the Heads at their 2nd video-tele-conference of 17 March 2020. However, the idea was dismissed almost immediately by the Northern member states, including Germany, and by Commission President von der Leyen (Politico, 2020a, 2020b). The stage appeared to be set for a lengthy process of intergovernmental bargaining resulting in a lowest common denominator type of solution. Nevertheless, only four months later, on 21 July 2020, the EU member states agreed to what was in essence a similar solution: a massive financial support package, to be financed through an unprecedented sharing of financial debts and obligations.

Moreover, while there had been intense negotiation about the overall size of the package, the division between grants and loans, the conditions (if any) that should be attached to financial assistance, the *principle as such* of the EU entering the financial markets and issuing debt on behalf of the member states sailed through with remarkable ease. As will become clear from our reconstruction, the speed and scope of the developments from March to July also took many insiders by surprise. The Covid crisis had somehow provided the momentum for agreeing on a 1.82 trillion euro financial package that, all things considered, had *less* to do with addressing the immediate consequences of the Covid crisis, and was *more* about building what the Commission likes to refer to as, the 'Next Generation European Union' (NGEU).

This article goes beyond the headlines to explore the forces at work behind the scenes that produced this unprecedented outcome. We contend that the existing literature has difficulty accounting for the speed and scope of the reform. In the literature on crisis management and policy change, crisis and reforms are not considered a happy couple (Boin et al, 2017: 134). In the classic Kingdon model, three independent streams: the problem stream policy stream and political stream need to come together to open a policy window for change (Kingdon, 1984: 21, see also Ackrill et al. 2013). It requires 'enlightened' leadership and a very deep crisis to overcome bureaucratically anchored resistance to reform (Kamkhaji and Radaelli, 2017: 717). Moreover, this leadership needs to have a sufficiently broad and strong political mandate that authorizes them to drive forward policy reforms (Keeler, 1993: 437-438). Sometimes a crisis can provide such a mandate, but in more occasions, a crisis constraints leaders,

[1] ECB Presidents Trichet and Draghi were amongst those calling for 'a quantum leap in European integration' since the beginning of the Eurozone crisis in 2010.

forcing them to focus on fire-fighting (Keeler, 1993: 440). In general, crises only provide a very limited window of opportunity to 'punctuate the equilibrium' and push through substantive reforms, before pre-crisis routines kick back in (Jones and Baumgartner, 2005: 326).

Also, within the field of EU studies, there are many theories and explanations for why the EU *fails* to meet crises with reforms, with few approaches able to explain successful reforms. Evaluations of the EU's performance in dealing with these major challenges have been predominantly negative (see e.g. Bastasin, 2015; Dinan et al, 2017). Different integration theories - liberal intergovernmentalism, new intergovernmentalism, post functionalism and the failing forward thesis - all provide their own explanation for why the EU fails to deliver on major reforms (Bickerton et al, 2015; Hooghe and Marks, 2019; Jones et al, 2016; Moravcsik, 2018). Post functionalism highlights domestic contestation as the constraining factor, liberal intergovernmentalism highlights incompatible national preferences. Liberal intergovernmentalism and failing forward both point to a process of distributive intergovernmental bargaining resulting in lowest common denominator (LCD) outcomes. New intergovernmentalism stresses the dominance of intergovernmental actors and action channels, which limits the potential for major policy renewal by supranational policy entrepreneurs.

Leadership is considered a crucial, but at the same time a rather elusive, factor in the literature. It is generally assumed that 'entrepreneurial' (Young, 1991: 285) and/or 'transforming' (Burns, 1978: 20) leadership is necessary to drive major policy reforms. Through negotiation skill and process management, such leaders are able to 'raise' the motives and ambitions of the led. This is also why such leadership tends to create its own opposition. Major policy reforms target sensitive and salient policy-domains, for example in the area fiscal and socio-economic policy making, of which established, political and bureaucratic actors are reluctant to diminish their control (Genschel and Jachtenfuchs, 2014). While some leaders might be pressured, or even personally inclined, to strive for a fundamental overhaul of existing policies and institutional arrangements, in the post-crisis phase such pressures and inclinations tend to evaporate quickly as other priorities take over. leading to stalled reforms. Some authors even argue 'that crisis management and reform leadership cannot be the province of the same executive' (Boin et al, 2017: 139).

Within the field of EU studies, this transforming ('raising') leadership effect is generally operationalized as leading to the transfer of competences to the EU level (see e.g. Müller and Van Esch, 2020; Tömmel and Verdun, 2017). Yet when crisis reforms involve the transfer of competences in politically sensitive issues, they have to be dealt with by the highest political authorities. In the EU the highest political level is the European Council (EUCO), consisting of the Heads of State or Government of the member states).

As a result, major crisis reforms are considered to be 'Chefsache', i.e. 'matters for the bosses'. Many EU scholars have argued that, because of a series of major crises, the centre of gravity has shifted systematically towards the Heads, with a primary focus on the German Chancellor (Blyth and Matthijs, 2011; Bocquillon and Dobbels, 2014; Bulmer and Paterson, 2013; Puetter, 2014; Van Middelaar, 2019). Initial accounts of the Covid Recovery Fund also gave primacy to German Chancellor, Merkel, and to a somewhat lesser extent French President, Macron, for championing the initiative, primarily through the Franco-German proposal of 18 May 2020 (see e.g. Genschel and Jachtenfuchs, 2021: 15).

However, as will become clear from our empirical reconstruction, this Franco-German 'initiative' was shaped by Commission proposals that had been developed and discussed within EU institutional cycles and shared with these same member states beforehand. In general, what existing research misses is the increased autonomy and discretion that crises grant to the unseen bureaucratic hands behind the scenes that structure and manage the process on behalf of the leaders, helping them to translate vague ideas into workable solutions. The European Council might be the locus of decision-making on major crises reforms, but it is ill-equipped to come up with substantively meaningful and legally sound solutions fitting within the EU framework (REFERENCE REMOVED). For this it is highly dependent on input from the EU institutions, first and foremost the European Commission, but also the European Council President's Cabinet, the Council Secretariat and the Commission and Council's Legal Services. The relevant question then becomes, who is providing input to ('feeding') the leaders?

We contend that major crisis reforms require the involvement of *multiple actors (political, institutional)* at *multiple levels (political, technical)* and *multiple stages (agenda-setting, negotiation, endgame)* of the decision making. This paper traces the role and influence of the EU institutions in managing major crisis reforms. In section 2 we present our analytical framework, delineating the main actors, their activities, the levels and stages in a crisis reform process. Section 3 is the central part of the article, dedicated to the empirical reconstruction of the RRF negotiations. We will use the method of embedded process tracing (EPT) to disentangle the dynamics at different levels of the negotiations about the Covid Recovery Fund. In section 4 we relate our findings to the general literature on crisis reforms and policy change, while also drawing comparison to past cases of major EU crisis reform. While the literature has been able to identify main conditions for effective reform, we explain *how* these conditions play out at the process level, which to a large extent determines their effective contribution to producing major policy reform. In the case of the Covid Recovery Fund, the activities of EU institutional officials significantly shaped the deal and steered process and thus helped to produce a more ambitious outcome than governments left to themselves would have been able to agree on.

2. Analytical framework: actors, levels and stages

How to get from crisis to reforms? In this section, we flesh out the main actors, their activities, the levels and stages of the decision making in which these actors are operating, and how these activities jointly affect the outcome. This article uses process tracing methods to reconstruct *the causal pathway* between the initial cause (major crisis) and the final outcome (ambitious reform) (Gerring, 2017: 105).[2] Process-tracing is an in-depth case study methods that can empirically assess processual causal claims (Beach and Pedersen, 2019). Process tracing typically utilizes an abductive research design, drawing on existing theorizing to identify central concepts that are expected to be causally relevant (actors, levels and stages). The process tracing analyses then seeks to unpack empirically a causal process by tracing the activities of these actors (at various levels and stages) and how these activities are related. In our EPT design, the empirical analysis is *embedded* in the sense that we go beyond the usual, publicly available sources: official documents and press reports, typically complemented by some on-off, ex post interviews. Instead, we had regular, in-depth conversations with insiders from the different levels: European Council, Council Secretariat, Commission and member states both during the negotiations and afterwards. We joined these insiders as they were trying to keep track and make sense of ongoing events and initiatives.

The central *actors* were already identified in the introduction. Effective reforms require *political* leadership, to provide impetus and overcome resistance to change, as well as technical or *instrumental* leadership, to design and broker reform proposals (see e.g. REFERENCE REMOVED; Tallberg, 2006: 37-39). On major EU crisis reforms, political leadership is primarily expected to come from the European Council (Van Middelaar, 2019). Instrumental leadership is generally attributed to institutional actors, the presidents and civil servants in the different EU institutions (see e.g. Becker et al, 2016). Through their 'entrepreneurial' activities, institutional actors try to shape and steer policy reform processes.

With regard to *levels*, we use the distinction between the *control room* and the *machine room* (Smeets et al, 2019: 677: Van Middelaar, 2019: 197-199). The control room refers to the level that is formally/nominally in charge of the process, which in the case of major crisis reforms is typically the highest political decision-making level. It is the European Council that needs to acknowledge ownership of the problem and the need for an EU level policy response. *Actual* European Council involvement might be limited and erratic, as it lacks the institutional infrastructure to manage and oversee policy development and debate. The Heads therefore need to delegate policy design and process management

[2] Pathway cases serve to illuminate how a causal relationship – here the causal relationship between EU crises and reforms – works in actual cases.

tasks to the institutional machinery. Also, if policy reform primarily take the shape of legislative change, which can be processed through the ordinary legislative procedures, the appropriate level of political authority (i.e. control room) can also be the respective ministers, united in the Council of Ministers. The machine room refers to the technical and preparatory levels of the negotiations, which prepare, pre-discuss and potentially reshape the reform proposals, but which lack the authority to provide the formal approval.

Third, with regard to the *stages* we build on the distinction between agenda-setting, negotiation, endgame stage known from the policy studies and negotiation literature (see Pollack, 1997; Tallberg, 2006). The stages are used to structure the analysis, connecting the initial cause: a crisis with a recognized demand for collective action, to the final outcome: major policy reform (see Figure 1).

Figure 1: stages in a crisis reform process

Crises are defined as a situation in which: 'a social system – a community or organization - experiences an urgent threat to its basic values, which appears to require a far-reaching response' (Rosenthal, Charles and 't Hart, 1989: 10). As we mentioned in the introduction, crises do not by themselves launch a reform process. Instead, the process is triggered by a shared understanding that the collective level has a responsibility ('should') act. There does not necessarily have to be consensus about the need for collective action. In fact, a reform process can be proceeded by 'framing contests' about whether the collective level indeed has a responsibility to act (Boin et al, 2009). However, a reform process can only start when there is critical mass to support *collective ownership* of the problem.[3]

We define the outcome major reform as: 'a policy innovation manifesting an unusually substantial redirection or reinforcement of previous public policy' (Keeler, 1993: 434). Like Keeler, we assess the magnitude of a reform by the degree of change it encompasses, not its impact or success (i.e. whether the reform serves to solve the problem it was intended to solve).[4] To be able to attribute causal leverage

[3] In EU summitry, this usually means that a sufficient number of (or a few sufficiently important) political leaders are willing to intervene on an issue, which results in the President putting the issue on the agenda.
[4] Here we depart from much of the integration literature, and failing forward in particular, that 'blames' national political leaders for adopting only 'minimal stop gap solutions', which, according to academics and policy advisors do not solve the underlying problem (Jones et al, 2016).

to institutional activities, this outcome should be more ambitious/go further than what governments left to themselves would have agreed on. This interpretation of causal influence fits with the classic understanding of 'entrepreneurial' or 'transforming' (supranational) leadership, which in the EU comes down to inducing further steps in European integration that transcend LCD outcomes typically produced by intergovernmental decision-making (Moravcsik, 1999: 271). In the empirical reconstruction we will show that other, less radical, reforms were available to governments, such as support through the ESM or setting-up a targeted and limited intergovernmental fund.

Between cause and effect, we identify three stages. In the *agenda setting* stage, the political (control room) level needs to move from acknowledging ownership to providing a mandate for action. Within the context of the EU, what is required is a decision by the European Council, and some form of delegation of responsibility to the machine room to develop solutions and deliver them to the Heads (Van Middelaar, 2019: 180). At the technical (machine room) level, institutional actors seek to identify how the EU as a policy instrument can be used to tackle the crisis. Agenda setting primarily revolves around the *drafting of texts*, some of which may never reach the negotiation tables. The ones that do, however, lay out the tracks for subsequent negotiations.

The *negotiating* stage starts after the control room level has given the go-ahead. This is the central stage of the reform process, in which institutional actors and member states representatives discuss and further develop the elements of solutions in the machine room. The main activity here is *process management*. Major crisis reforms require the involvement of multiple actors at multiple levels of decision making, from technical experts in national line ministries, to EU and national civil servants in working parties, to EU ambassadors (Coreper), to ministers, before going back to the Heads. Consequently, this is a process that cannot be managed by one single actor or institution (REFERENCE REMOVED). The European Council President can provide process management in the control room, but lacks the expertise to formulate solutions and has no presence in the machine room. The Commission is present in both the control and the machine room and might have the expertise, but is generally not trusted as the sole independent expert because it has its own substantive agenda. The Council Secretariat has the trust of the member states and the deep knowledge of the functioning of the EU system, but it lacks the capacity that the Commission has for developing substantive proposals. Moreover, while actors in the machine room can develop crisis reforms, they cannot provide the political endorsement. This can only come from the Heads. As said, even though the Heads' involvement might be limited and superficial, providing their blessing to existing proposals and ongoing processes in the machine room is crucial. It is what keeps the normal bureaucratic actors and action channels – inside the Council and Commission – at bay.

The *endgame* stage is focused primarily on the control room level, where the heads deal with the final, unresolved, contentious issues (in EU terminology 'the brackets') through classic, intergovernmental bargaining. Institutional actors support the Heads in finding ways to deal with member-state specific concerns by suggesting legal or substantive solutions, drafting compromise proposals and chairing effective negotiations, either bilateral or multilateral. This final part is crucial for delivering the *more ambitious* outcome that has been developed in stages one and two.

In the next section, we use these distinctions between actors, levels and stages to reconstruct the process that resulted in the coming about of the Covid Recovery Fund.

3. Empirical analysis: the Covid Recovery Fund

This section provides an empirical reconstruction of the coming about of the Covid Recovery Fund (RFF), on the basis of the analytical framework presented in section 2. Figure 2 provides an overview of the central actors that were involved in the RRF process. The network also shows the main formal and informal intra- and inter-institutional links that were responsible for producing the deal and shepherding it through the appropriate decision-making channels.[5] In the analysis, we trace the activities of these actors at the different levels and stages of the decision making. A more detailed explanation of the *evidence* for each of these activities and their impact on the process and outcome is provided in the methodological appendix.

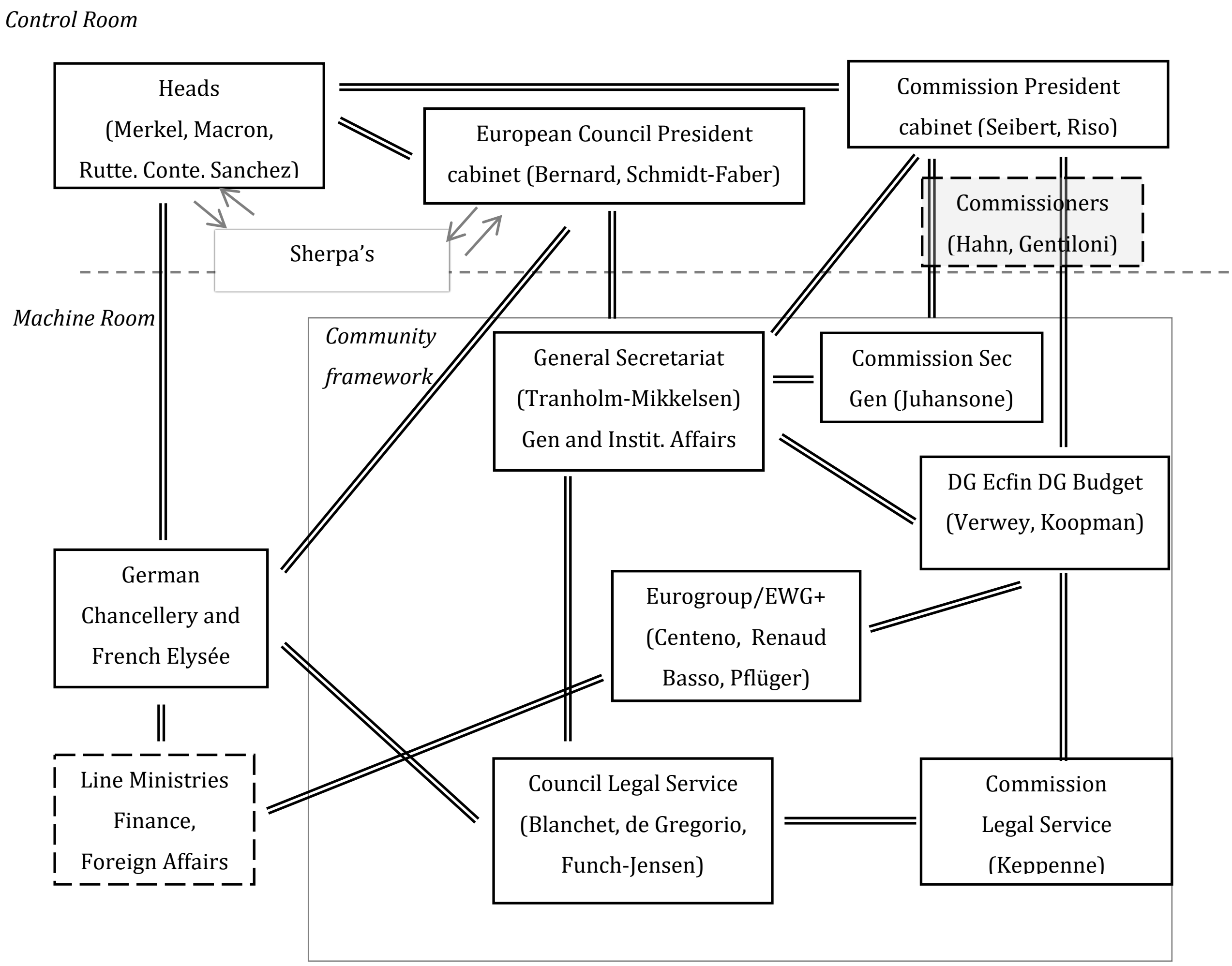

Figure 2: map of the inter-institutional network for the RRF.

[5] The intra- and inter-institutional links are further explained in the online methodological appendix.

Before we start, we point out two case-specific particularities of the Covid crisis, that are unrelated to the analytical framework. First was the lockdown. What usually happens in crisis situations is that the EU machinery goes into hyper drive. In contrast, in the weekend of 14 March 2020 Brussels came to an abrupt standstill, with much of EU politics transferred back to the capitals. There was the inability to organize physical meetings and informal get-togethers, which left Coreper as the only body standing. Additionally, both the European Council President and rotating Council Presidency were severely limited in their administrative and coordinating abilities. Both presidencies were highly dependent on input from specific member states and from the European Commission. The Commission, for its part, jumped into the void, coming up with a plethora of initiatives in the first weeks in March, and even setting up a parallel system of ministerial videoconference meetings from the Berlaymont (the Commission's main premises).

The second case-specific element concerns the role of the European Central Bank (ECB) and the German Constitutional Court (*Bundesverfassungsgericht*). In earlier crises, the Eurozone crisis in particular, when the Heads had failed to do what (according to some) was required, the ECB would step in to do 'what-ever it takes' to save the Eurozone (see e.g. Bastasin, 2015). Meanwhile, the *Bundesverfassungsgericht* would carefully monitor whether the ECB was not overstepping its mandate. In the early stages of the Covid crisis, the ECB intervened heavily, amongst others through its Pandemic Emergency Purchase Program (PEPP) and Pandemic Emergency Long Term Refinancing Operations (PELTRO). However, in a ruling of 5 May 2020, the *Bundesverfassungsgericht* stated that the 2015 ECB bond buying (Public Sector Purchase) Program would be illegal under German law unless the ECB provided adequate justification within three months (Bundesverfassungsgericht, 2020). This ruling raised alarm bells in Germany, and curtailed the role that the ECB itself could play in subsequent stages. One role that the new ECB President, Lagarde, would continue to play, though, was to spur on national leaders and finance ministers to consider radical solutions, such as Corona bonds (e.g. Reuters, 2020).

The cause: an(other) unprecedented crisis with an acknowledged demand for EU action

It took only a short period of time for the Covid crisis become (acknowledged as) an EU crisis. Within the span of a few weeks from mid-February 2020, EU countries had gone from normal to lockdowns, border closures and unprecedented national health crises. In the *very early* stages, it was still primarily considered as a health crises, predominantly falling under national competences. Hence, calls for EU action were relatively limited and the focus was on increased coordination between member states. However, the focus would shift very quickly to the European level.

The early crisis was worst in Northern Italy, where hospitals were overflowing and equipment shortages led the Italian government to issue a desperate cry for help, activating the EU's 'civil protection mechanism'. The economic consequences of lockdowns were also immediate, forcing the Italians and other EU governments to adopt massive financial rescue packages that many of them could ill afford, as they were still recovering from the aftermath of the Eurozone crisis. In this situation, the Italians and other heavily impacted countries called out for solidarity from other EU governments, both in the immediate term with medical supplies, but also increasingly to help with funding the extraordinary lending required to tackle the short- and medium-term economic consequences of the rescue packages (Volkskrant, 2020b). Two hastily convened virtual European Council meetings were held on 10 and 17 March to discuss the unfolding crisis (European Council, 2020a).

In Brussels, the view quickly took hold that the EU member states were going to be unevenly affected financially by the crisis (Bruegel, 2020). Already by the middle of March, officials within the European Commission had started to propagate their fears for a great fragmentation between those with and those without financial buffers that could endanger the EU's internal market; a view that was shared with member states representatives from France and Germany (Author's interviews, 27-8-2020, 1-2-2021). Those who would argue against this view would be shamed into silence, most notably the Dutch Finance Minister Hoekstra, who openly wondered whether the Commission should investigate why Italy and Spain were in such a bad financial situation to begin with (Volkskrant, 2020a). However, to be able to trigger a reform process, this view from within the institutions required the formal acknowledgement of ownership by the political leaders.

Part 1: agenda setting in the machine room

Ahead of any political mandate from the European Council, the institutional machinery of the EU institutions kicked into gear, especially within the Commission. The Commission is the steward of the EU budget, and it has a clear informational advantage in terms of the size of staff and domain-specific expertise in this area (Author's interview, 23-4-2021). Meanwhile, at the other side of the Rue de la Loi, the European Council President and his cabinet were still recovering from a disastrous – both in terms of process and outcome - European Council Summit in February on the MFF (Author's interviews, 4-6-2020, 23-6-2020; Ludlow, 2020a: 23-29). The problem was not so much that the Summit itself had failed – hardly anyone expected a deal already in February - but rather that the institutions had been given very little to work with. President Michel even considered going for an intermediate 'war-time' budget for one or two years. This explains why the new MFF would not feature prominently in the early talks about financing the Covid recovery.

Within the Commission, on the other hand, a small informal team of advisers centred around Commission President Von der Leyen had already started brainstorming the modalities of EU assistance (Politico, 2020f). Within DG Ecfin, Director General Maarten Verwey started drafting a highly confidential internal report, creatively entitled 'back to the future', that included a much broader MFF and a proposal for a massive Recovery Fund (Author's interview, 31-7-2020, 27-8-2020). Within DG Budget, Director General Gert Jan Koopman started writing a budgetary blueprint for the recovery fund, which included the highly controversial idea of Commission borrowing on the financial markets (Author's interview, 21-9-2020). There was precedence for using article 122 TFEU to allow the Commission to borrow funds on markets from the creation of the EFSM in 2010 – although the scale under consideration here was several factors of magnitude larger (Author's interview, 29-10-2020).

The Commission's core team further included cabinet officials Björn Seibert and Stephanie Riso, along with Secretary-General Ilze Juhansone and the head of the Commission's Legal Service, Jean-Paul Keppenne. Interestingly, the directly responsible Commissioners for these dossiers, Gentiloni (DG Ecfin) and Hahn (DG Budget), either had different priorities (Corona bonds) or were kept out of the loop (Author's interviews, 31-7-2020, 27-8-2020). At the same time, there were informal high-level contacts with selected capitals, who felt that the need for speedy measures ruled out any link to the new MFF (Author's interviews, 29-10-2020, 1-2-2021; Ludlow, 2020b: 6, 27). French officials in particular were not fully convinced by the Commission's reassurances that it could be done within the framework of the MFF, and kept their intergovernmental alternative - a Special Purpose Vehicle (SPV) structure resembling the EFSF - in reserve (Author's interview, 11-12-2020).[6]

Part 2: agenda setting in the control room

The political mandate for proceeding with the Commission's ideas would come at the European Council's 3rd video-tele-conference (VTC) meeting of 26 March. At the 2nd VTC meeting of 17 March, the idea of 'Corona bonds' had 'spontaneously' appeared on the agenda. The idea was in essence a rebranded Eurobond, which was a plan for issuing common EU debt in solidarity with hard-hit countries during the Eurozone crisis that had been vehemently opposed by Germany, Finland and the Netherlands. The idea was again raised at the third EUCO VTC on 26 March, on the basis of a letter of nine Heads to President Michel (Euractiv, 2020a). The idea, again, met with strong opposition from Germany, Austria and the Netherlands (European Council 2020b: Politico 2020a). In an attempt to avoid a complete collapse, President Michel suggested delegating the search for further solidarity measures to the

[6] The idea of a separate, intergovernmental Recovery fund had initially been floated by the French Minister of Finance, Le Maire at the Eurogroup meeting of 16 March.

Eurogroup, without specifying the direction in which these 'proposals' should go (Author's interviews, 29-3-2021, 23-4-2021).

The 26 March meeting was significant for a number of reasons. First, instead of going at it alone, like they had done during the early stages of the Eurozone crisis (e.g. the first Greek loan package, EFSF, and Euro Plus Pact), the Heads were now bringing in the machine room (Eurogroup, Commission) very early on in the crisis. Second, a remarkably *broad* mandate was given to the machine room (Eurogroup), tasking them to present proposals for a comprehensive recovery, with a strict deadline of two weeks (European Council, 2020b: 14; Ludlow, 2020b: 40). The Commission and European Council President were provided with a similarly broad mandate to deliver 'a coordinated exit strategy, a comprehensive recovery plan and unprecedented investment' (European Council, 2020b: 22). This mandate did not attract a lot of attention, neither by the press, nor by insiders for that matter (Author's interview, 4-6-2020). After all, the Eurozone and migration crisis had seen many roadmaps that never reached their destination (e.g. the Four and Five Presidents Reports from June 2012 and June 2015).

Third, the Von der Leyen Commission played a notably different role. Where her predecessor, Juncker had envisioned an autonomous, political role for the Commission, Von der Leyen appeared willing to work within the confines defined by and under the aegis of the European Council. This is why, at the political level, the Commission operated very prudently in the agenda-setting stage (Author's interviews, 27-8-2020, 29-10-2020). In the three virtual summits of the Heads in March, Commission President Von der Leyen had mainly spoken in terms of flexibility, in effect getting Europe out of the way of national attempts to manage the crisis (e.g. relating to border closures, state aid). The President did not talk about massive additional funding, and even refused to talk about the (new) MFF (Ludlow 2020b: 36). Instead of jumping on the occasion, Von der Leyen was quick to dismiss the idea of Corona bonds (Politico 2020b).

Part 3: negotiations in the machine room

After the control room level had given the go-ahead, the negotiation stage could start. At the beginning of April, the core network within the Commission was developing the modalities for a Recovery fund linked to the EU budget, to be financed by Commission borrowing and to be paid back by the member states from 2028 onwards. The substantive elements were ready by Easter (Author's interviews, 21-9-2020, 20-1-2021; Euractiv, 2020b). The main concern was the legal base: specifically whether Article 122 provided a sufficient legal basis to allow for 'borrowing for spending'. Early consultations with Berlin had revealed that Germany was hesitant about using Article 122, which based the Recovery fund on a Council decision and was subject to QMV. Germany wanted a stronger legal base to ensure that the fund could not be changed or extended by means of a Council decision, but would require unanimity and ratification (Author's interviews, 20-1-2021, 29-3-2021). To ensure a soft landing of their proposals, the Commission officials started collaborating with their counterparts in the Council Legal Service (CLS). Again, only a very small number of people were involved in these consultations, also from the side of the Council: the cabinet of the European Council President, the Secretary General and a few selected members of the CLS (Author's interview 29-10-2020, 1-20-2021). The process was shielded even from the units that were dealing with the new MFF (Author's interview, 19-3-2021).

Meanwhile, political discussions still focused on other solutions: Corona bonds, SPV (i.e. a new, intergovernmental fund), but mostly support through the existing ESM (Author's interviews, 27-10-2020, 21-1-2021, 25-2-2021). The 9 April Eurogroup was tasked to deliver a 500 billion package of 'safety nets', consisting of ESM pandemic crisis support, a European unemployment reinsurance mechanism (SURE), and EIB guarantees to small and medium size enterprises (Eurogroup, 2020: 15-17). However, in spite of very long and harsh negotiations, the ESM was a non-starter. Southern member states, Italy in particular, had no intention to apply for it because of the stigma and the conditionalities (both real and imagined) that were attached to using it (Author's interview, 21-1-2021).

At the preceding Eurogroup Working Group (EWG+) meetings, Commission representatives had also been able to pull the plug on the other radical solution: Corona bonds. Technical talks had been particularly unfruitful due to unwillingness of both proponents and opponents to clearly define what they had in mind with these bonds and which purpose they should serve (Author's interviews, 31-7-2020, 27-8-2020, 27-10-2020). From an institutional perspective, however, there was an upside. The sheer endless and ultimately futile hassling about ESM and Corona bonds helped pave the way to using and extending Community-based instruments, first and foremost within the new MFF.

With hindsight, the most significant aspects of the 9 April package were the elements that had *not* yet been agreed to, but that the ministers had merely agreed to work on. These were: 'a recovery fund…to kick-start the economy *in line with European priorities* and ensuring EU solidarity with the most affected member states', and directly related to this a new MFF (Eurogroup, 2020: 19-20, italics added). The crucial phrase was that the EU would be looking for 'innovative financial instruments, consistent with EU Treaties' (Eurogroup, 2020: 19), which can be regarded as the *unofficial launch* of the RRF process. As one insider explains:

> "Innovative financial instruments was understood as common debt issuance. However, debt issuance at a grand scale was not considered compatible with EU Treaties, which is why the second part is in there." (Author's interview, 25-2-2021).

Anticipating stalemate at the ministers level, the drafters cleverly suggested that 'discussions on legal and practical aspects of such a fund, including its relation to the EU budget, its sources of financing' were 'subject to guidance from Leaders' (Eurogroup, 2020: 19; Ludlow, 2020d: 6). Opponents to the fund had fought hard to keep the reference out completely, arguing that the Eurogroup does not deal with MFF matters. However, proponents argued that they had been provided with a mandate from the Heads to explore *all* potential solutions. The sentence survived.

Unclear to both sides at the time was that the Commission and Council legal services had found a way to make the two elements compatible (Author's interviews, 29-10-2020, 1-2-2021). On 15 April, President von der Leyen declared at a press conference that, 'the principle-leveraging money that is guaranteed by the member states – the Commission has done before….never, ever before at that size, but it has the mechanism…a trusted one and a proven one' (Politico 2020c). At a Coreper meeting on 20 April, Commission Secretary General, Ilze Juhansone, informed the ambassadors that an alternative legal base – which was Article 310 and 311 (dealing with the Community's own resources) – was available (Ludlow, 2020b: 58). What was still missing was the political buy-in from the Heads, and in particular from Germany.

Part 4: negotiations in the control room

The necessary endorsement by the Heads would come in two steps, in the days between 20 and 23 April and on 18 May. We should not overemphasize the role that institutional actors can play at this level. Their role was 'to point out the possible', which in this case paved the way for a German 'U-turn' on debt mutualisation (Author's interviews, 1-2-2021).

The start of the German U-turn can be traced back to a mini-summit on 20 April, convened by European Council President Michel, but in which the focus was very much on German Chancellor, Merkel (Author's interview, 23-4-2021). Up to this point, the Dutch and Austrians had been labouring under the impression that debt mutualisation was off-limits. As long as the Italian and Spanish prime ministers, Conte and Sanchez, kept picking fights over Corona bonds, they could safely rely on Germany to fight their battles for them. However, at this mini-summit Merkel was heavily on the defensive (Author's interviews, 2-11-2020, 23-4-2021). In the end, she got Sanchez and Conte to definitely drop Corona bonds. In return, Merkel suggested a second major support package, over and on top of the ESM pandemic crisis support which Italy still refused to apply for, and in line with the proposals developed by the Commission (Ludlow, 2020b: 58-62). The Chancellor also openly acknowledged, in the press conference afterwards, the need for a new and very different MFF.

The European Council President and Commission President then wasted no time. The course that had been charted out by the German Chancellor at the political level, and by the Commission at the technical level, was to be endorsed by the European Council at their 4th VTC meeting on 23 April (Ludlow, 2020b; Politico 2020f). To avoid the kind of bad press that had surrounded the meeting of 26 March, where clashes between the Heads had been publicly exposed, President Michel decided that there would not be any European Council conclusions this time (Author's interview, 23-4-2021). In fact, there would not be much of a debate, because the VTC format did not allow for it. The Conclusions would be the Conclusions *of the President* of the European Council. Not surprisingly, these neatly followed the line of the Commission notes, by agreeing 'to work towards establishing a recovery fund…of a sufficient magnitude, targeted towards the sectors and geographical parts of Europe most affected'. They invited the Commission 'to urgently come up with a proposal' that inter alia 'should clarify the link with the MFF, which in any event will need to be adjusted to deal with the current crisis and its aftermath' (European Council, 2020d).

Initially, Von der Leyen suggested that a full proposal could be readied in a week or two. The speed with which the institutional machinery was moving prompted even the German Chancellor to intervene and remind the Commission President 'do not forget to talk to us' (Author's interview, 23-6-2021; Volkskrant, 2020b). A clear reminder that the matter was still Chefsache.

The second step of control room endorsement came in the shape of the 'Franco-German initiative for the European Recovery from the Coronavirus Crisis' of 18 May 2020. The plan called for a 500 billion Recovery fund. 'France and Germany *propose[d] to allow* the European Commission to finance such recovery support by borrowing on markets on behalf of the EU under the provision of a legal basis in full respect of the EU Treaty' (Bundesregiering, 2020; italics added). This legal base had been the game changer for Germany. The money was to be disbursed as 'budgetary expenditures [i.e. grants, not loans], in line with European priorities, to enhance resilience, convergence and competitiveness of the European economies' (Bundesregierung, 2020).

The Franco-German paper reflects a degree of *political* leadership that only France and Germany can provide. However, by mid-May the substance and legal framework for the deal had already been firmly laid out within the institutional circles (Author's interview, 29-10-2020; Ludlow, 2020d: 6-7; Politico, 2020f). It would be more appropriate to say that the French President managed to acquire the German Chancellor's blessings for plans that had been developed within the institutional network. There had been consultations with the French Elysée and German Chancellery, but primarily at the higher (Sherpa) level, which had discussed it in terms of political feasibility rather than technical design (Author's interviews, 29-5-2020, 4-6-2020, 25-6-2020). It is thus not surprising that, apart from the overall size, the Franco-German plan fits together seamlessly with the subsequent Commission texts from 27 May.

Part 5: Endgame in the control room

On 27 May the Commission put forward with its own set of proposals, under the heading of 'Next Generation EU' (NGEU). Everything that happened afterwards can be considered as prelude to the final European Council Summit of 17-21 July. The Commission package included a €750 billion recovery fund along with a new €1,100 billion MFF. The Recovery and Resilience Facility (RRF), would take up 560 of the 750 billion reserved for recovery, 310 billion in the shape of a grant facility and 250 in loans (Commission, 2020b). While the proposals were extensively discussed at Coreper level, it was clear to all involved that this was Chefsache. Most of the time was spend asking the Commission and the CLS for further clarifications about the set-up and the legal base (Author's interviews, 21-9-2020, 29-10-2020, 1-2-2021: Ludlow, 2020d: 10-11).

On 26 June, the CLS presented its 'Opinion on the Commission NGEU package', to reassure member states (and national parliaments) of the legality of the proposals (Council, 2020). Seeing that the budget itself had to be in balance, the main issue that had to be addressed in this 68 page analyses of legal niceties was whether the €750 billion could be placed *outside* the annual budget as 'external assigned revenue' (EAR). Could such an enormous EAR still be considered as 'additional means', which according to the Treaty (Article 311 TFEU), the Union is 'allowed to provide itself with to attain its objectives and carry through its policies'? The CLS justified it by pointing to the exceptional, targeted and limited (in time) nature of these expenses. Also, it specified why technically speaking this was not a Eurobond, since real debt mutualisation would require 'joint and several liability'. The CLS thereby helped to pave an, arguably narrow, legal pathway towards a final deal (Author's interviews, 1-2-2021, 26-2-2021).

By the time the Heads got involved, the negotiations were no longer about general principles, but about limiting specific implications and placating member states concerns (Tweede Kamer, 2020). In terms of process management, one open question was *when* to bring in the Heads (Author's interview, 23-6-2020; Ludlow, 2020d: 25-28). President Michel was set to avoid the mistakes of February, by making sure that he would not bring in the European Council too early. Instead of wanting to do everything himself (as in February), Michel now decided to go for a division of labour. For instance, the German

Chancellor and Latvian Prime Minister primarily engaged with the Visegrad countries on the issue of rule of law conditionality. The Commission and CLS dealt with the Dutch and Italians who held opposite views on the inclusion of an 'emergency brake procedure' that would allow individual member states to bring unwarranted disbursements from the fund to the attention of the European Council (European Council, 2020e: 19; Author's interviews, 26-2-2021, 29-3-2021)

In terms of substance, the President's draft proposal of 10 July 2020, which in MFF terminology is referred to as the 'Nego box', provided the creative solutions on key contentious issues: the division between loans and grants, (A14), the degree to which these grants would be pre-allocated (A15), the size of the rebates ('lump sum corrections' 152) and the VAT retention rate (143) (European Council 2020e; Author's interviews, 19-3-2021, 29-3-2021). The Commission had overplayed its hand by trying to transfer funds that it had failed to acquire in the MFF (e.g. InvestEU, external expenditures) into the new Recovery fund, but where the link with the Covid-19 crises was unclear. President Michel's Nego Box, instead, went back to the February text on the MFF, while adding the RRF under a separate *Chapeau*.

Many things still needed to be hammered out at the Summit itself, for instance whether the next European Council should 'exhaustively' or 'decisively' discuss unwarranted disbursements (Author's interviews, 1-2-2021, 26-6-2021; Ludlow 2020d: 37). It was only on the rule of law conditionality that the Heads agreed to kick the can down the road. As it turned out, this particular 'can' would only get bigger, eventually resulting in a veto threat by Poland and Hungary on the Own Resources Decision in November 2020.

The final outcome: a more ambitious deal

The final, but crucial, element of our analysis is to demonstrate that the process actually mattered in producing a deal that went beyond what national governments would have been able to produce by themselves. To be sure, there had been even more ambitious national proposals (Corona bonds, perpetual debt), but it is highly unlikely that any of them would have seen the light. The proof lies in showing that the Recovery Fund we did get transcends the LCD outcome, and that the institutional actors paved the way towards reaching it.

With regard to the first element, there is sufficient reason to state that the Covid Recovery Fund transcends the LCD in terms of size, scope and legal shape.[7] Instead of setting up another, limited SPV

[7] For a more detailed evidencing of our claim that the RRF transcends a LCD outcome, we refer the reader to the methodological appendix (p. 16-17).

structure along French lines, or channelling support through existing intergovernmental instruments (the ESM) like the Dutch had preferred, the Heads agreed to the creation of a large, albeit formally temporary, fund within the Community framework, in line with the preferences of the Commission. The overall sum is notably bigger (750 billion) than the 500 billion that Merkel and Macron had suggested. The financing through the issuing of debt by the Commission and the principle of loans for grants were both maintained. Last but not least, instead of creating a targeted fund to deal with the immediate consequences of the Covid-19 crisis, the fund is set to address economic divergence in general, as well as financing twin transitions: Green (37%) and Digital (20%) (European Council, 2020e). What participants find most remarkable is that the Covid Recovery Fund that they ended up with had less to do with addressing the immediate consequences of the Covid crisis, and instead reflected Commission priorities and programs about the post-crisis ('Next Generation') EU.

With regard to the second element, the causal impact of the institutions, it is clear that this solution was not developed in Berlin or Paris, but rather in and around the Berlaymont. With regard to spending, the Commission might have drawn inspiration from the Eurozone specific negotiations about a 'Budgetary Instrument for Competitiveness and Convergence' (BICC), in which France had played a prominent driving role (Author's interviews 27-10-2020, 25-11-2020). The funding part, which participants from all sides agree is the truly revolutionary element, was fabricated in a small intra-institutional network around Von der Leyen, which became a bit more inter-institutional with the involvement of the CLS. It was cleverly anchored into the language of the Eurogroup statement of 9 April, taken over by the European Council of 23 April, politically endorsed by the German Chancellor on 18 May and brought home at the July Summit.

The framing of these measures as 'targeted', 'exceptional' and 'one-off' cannot hide the fact that the member states had for the first time endorsed the principle of a common debt instrument. There is no telling whether the instrument will indeed be one-off and temporary. ECB President Lagarde wasted no time in pushing for it to become permanent (Bloomberg, 2020). It is highly likely that, during the next crisis, the EU will do what it always does, which is to look at what instruments it already has. As one close insider to all these crises put it: 'Basically our first move always involves drawing up a list of all things we came up with in the past, ranking them from less to more ambitious. This also has a pedagogical function, to make the political level aware of what the EU already has in store, before they start looking for something completely new' (Author's interview, 27-8-2020). Negotiations start from there.

4. Conclusion and discussion

In this section we use our findings from the RRF case to (re)engage with the literature on crisis management and major policy change, within and beyond the EU. Our goal is to provide more clarity on the *causal pathway* that links crises to reforms. As said, most of the individual conditions for effective reform have been identified elsewhere and by others. We seek to identify how they are *connected* at the *process level* (when, by whom and at what level) to be able to produce reform. For this, we will also build on comparisons to previous cases of major crisis reforms within the EU.

First, reforms require *leadership*, political as well as technical/instrumental. In times of crisis, the general focus – of the media but also academia – tends to be on political leaders (Cross, 2019; Kreuder-Sonnen, 2014; Lipscy 2020). However, the same literature has also shown that these political leaders are limited in their ability to link crises to reforms (Boin et al, 2017; Keeler, 1993). Our findings echo and extend this line of reasoning. The RRF case revealed some of the difficulties that the Heads faced when trying to provide *collective* leadership, albeit in a very unusual environment, in which physical meetings were impossible until the very end. The crisis management literature would then expect that the initiative would lie with *individual* leaders who have the political clout to take charge of crisis management and are able to bring together key actors. This is indeed *part* of the story behind the RRF, where political level agreement was reached in no small part through bilateral or multilateral meetings between leaders like Merkel, Macron, Sanchez, Conte and Rutte. However, what was lacking at this level was the ability to *engineer* policy solutions that could provide the basis for leaders discussions. Without viable solutions, political level discussions can quickly turn into a shouting matches, as we saw in the early stages of the Covid Crisis, where alarmism and insults echoed through the VTC channels. In an attempt to show domestic audiences that they took charge, leaders championed radical ideas (Corona bonds, perpetual debt, Treaty reform) and opted for 'heroism' at a time when they needed allies more than ever (see also Goldfinch and 't Hart, 2003).

To be sure, political leadership is required, but this energy needs to be channelled through appropriate policy 'streams' or channels (Kingdon, 1984). Such channels are not created by the leaders themselves, *nor* by their domestic policy-making machinery. The Spanish, Italian, French, Dutch and Franco-German proposals for dealing with the financial implications of the Covid crisis were political-level ideas only, and were not anchored to the policy-making machinery. A second type of (instrumental) leadership is required to provide the linkage between political (control room) and technical (machine room) proceedings. Successful crisis reforms depend therefore on the effective interplay between these levels. From our reconstruction of the RRF case, we extrapolate what this interplay could look like more generally. Figure 3 serves as an heuristic tool that can be used to understand such processes. It does not intend to serve as an exact replica for every reform process, but instead seeks to capture the core dynamics. The remainder of this section discusses the main elements in this model, in the context of the broader literature.

Agenda-setting is a key condition for major policy change (Jones and Baumgartner, 2005; Pollack, 1997; Princen, 2011). Yet, in the literature agenda-setting is generally portrayed as rather long-term and gradual, leading to slow, but significant, reorientations of a policy course. Agenda setting activities tend to take place away from the spotlights, at the lower, technical levels of the decision-making. However, agenda setting in a crisis is a much more dynamic and interactive process. Moreover, in a crisis, political authorities need be actively involved in this agenda setting. The leaders need to be 'fed' with ideas that they can subsequently sell as their own. Within and beyond the EU, there is the persistent misconception that major policy reforms need to be carried by strong, 'entrepreneurial', institutional leaders, who present and defend their own reform agenda's to their political counterparts. The image of former Commission President, Jacques Delors, hangs heavily over EU decision-making as well as theorizing (see e.g. Grant, 1994; Ross, 1995).

The problem with this line of reasoning is that these institutional entrepreneurs, the presidents of the European Commission and European Council, face the same, if not *more*, limitations as national political leaders when they try to take the reins in crisis reforms. Some recent Commission Presidents, e.g. Barroso during the Eurozone crisis and Juncker during the migration crisis, sought to leave their mark on the European project through a fundamental overhaul of the existing EMU and asylum regimes. But their attempt to 'do a Delors' quickly ran into member states opposition. Agenda setting in a crisis environment is more effective if it does *not* take the shape of bold initiatives, but instead involves what we term 'laying out of the tracks' that national, political leaders are then willing to endorse. Agenda setting also requires that these leaders provide a mandate to further develop some of these tracks.

The sequence and interplay between these agenda setting activities at the two levels can of course vary. It can be that the internal machinery will start to lay out the tracks – i.e. diagnose the problem and formulate solutions, fitting within the legal and operational framework of that institution - ahead of any political mandate, like we saw in the RRF case. In other major EU crisis reforms, like the banking union, the control room provided the first spark, after which the machinery sprang into action (see e.g. Nielsen and Smeets, 2018). The key point is that agenda setting on major crisis reforms is a shared competence, in which the political level decides the broader direction and the technical level is able to develop and deliver on these ideas.

		Agenda-setting		*Negotiations*		*Endgame*	
	Cause	Part 1 machine room level	Part 2 control room level	Part 3 machine room level	Part 4 control room level	Part 5 control room level	**Outcome**
Causal process theory	**Crisis** that creates demand for collective EU action (Chefsache**)**	**Institutions** *identify* potential for EU level action in response to crisis and proceed to *develop* draft solutions, independent from CR (laying out tracks)	**Heads** *supply* political leadership: 1) *provide* broad parameters for MR discussions, 2) **Heads** *informally delegate* mandate to institutional network (tasking)	**Institutions** *provide* process management: 1) *shield* negotiations from national and bureaucratic actors 2) *bridge* institutional divides 3) *inform* CR and renew support (*linkage*)	**Heads** *supply* political leadership (in and outside of EUCO meetings), *supported* by **institutions**: 1) *provide* support for MR process 2) *set* deliverables deadlines	**Heads** *resolve* final outstanding issues (political leadership), *assisted* by **institutions** that *find* creative fixes	**Final reform** (crisis response) that is more ambitious than governments left to themselves would have agreed upon

Figure 3: process model of the interplay between political and institutional actors in managing major crisis reforms

Process-management of negotiations is another key condition for major policy change, as is recognized in the policy and negotiation literature (Keeler, 1993: 440; Lipscy, 2020: 116). We sought to identify how these activities are related at process level in producing successful reforms. We know from the literature that crisis is an *enabling*, rather than active, cause. Crises discredit prevalent policies and ideas, expand executive discretion and loosen the political, legal and bureaucratic constraints that hinder policy change in normal times.

However, this loosening of constraints does not happen automatically. Reform processes need to be actively *shielded* from national and bureaucratic policy actors. In a crisis situation, everybody typically wants to be part of the process, with the result that many reforms processes run aground (Boin et al, 2017: 133). In order to be successful, networks need to be small, lines need to be kept short and key actors need to be able to find each other across formal institutional divides. This also means that the process needs to be kept rather informal, arguably even 'unrepresentative' or 'undemocratic'. Away from the spotlights, leaders need to know whom to call, or whom to invite to be part of their search for solutions.

Institutional actors are of course not the only ones that can come up with solutions and 'feed' them to the leaders. In other major crisis reforms, such as the EFSF and the EU Turkey deal, national civil servants played a key, engineering role (Smeets et al, 2019; REFERENCE REMOVED). However, institutional actors do have a competitive advantage in coming up with legally and operational sound solutions at the collective (EU) level and shepherding these to the policy making machinery. However, as we know from the literature, the effective management of major crisis reforms is *not* the prerogative of a single actor or institution (Boin et al, 2017). Instead, it requires collaboration across and a division of labour between various actors and institutions.

In earlier crises (Eurozone and migration crisis), there was mistrust of an overly ambitious Commission that tried to take charge of reform negotiations both at the control and machine room level. This resulted in political leaders hammering out solutions amongst themselves, outside of the Community framework, like the EFSF and EU Turkey deal. In June 2018, the Heads again tried, but failed, to reshape EU migration policy, drafting proposals and forging compromises, resulting in a plethora of measures, ranging from controlled centres to disembarkation platforms (REFERENCE REMOVED). In the RRF case, the opposite happened. The Community framework made a comeback. The Covid Recovery Fund was, in fact, a Community product dressed up as an intergovernmental Franco-German initiative. But this approach is not new. Also during the Eurozone crisis we saw this interplay between Franco-German letters and institutional (Commission) proposals, specifically in the setting up of the European Stability Mechanism (ESM) and the Fiscal Compact. At the time, the ideas were perceived to be in competition, but in reality they served to propel developments at different levels. Generally speaking, the Franco-German letters would serve to provide the political backing at the control room level that would allow the institutions to move forward at the machine room level.

In the RFF case, the Commission provided forceful leadership in the machine room, but it did not feature prominently in the *political* negotiations around the EUCO summits or bilateral or multilateral meetings between leaders. Rather than opting for political activism, President Von der Leyen showed strong management of 'the house', getting her Commissioners to fall in line, enabling the internal machinery to deliver on an ambitious package (Kassim et al, 2017). While her management style was perceived as 'slightly Olympian', Von der Leyen managed to keep many bureaucratic actors within and beyond the Commission at bay. For this approach to work, inter-institutional cooperation was key. In the RRF case, the Council side – The European Council President, the Council Secretariat and its legal service – came in rather late in the process. However, it played a crucial role in getting the initial endorsement in the days between 20 and 23 April and shepherding the RRF through the final Summit in July. In the endgame process the Commission only played a marginal role. Creative solutions had to be found, primarily by the Council Legal Services and Council Secretariat in direct relations with national representatives, ahead of and at the July Summit.

We end with two broader observations. First, our process-level analysis offers a more optimistic perspective on how to get from crisis to reforms. If we look beyond the media alarmism and political grandstanding - which seems to become more dramatic with each crisis - we note that the EU policy-making system is remarkably resilient, and able to deliver in spite of, in fact even *helped by*, political clashes at the level of the leaders or ministers. Second, but related, we believe that there is reason to qualify the amount of *political* leadership that is required to get from crisis to reforms (cf. Ludlow, 2020b: 77: Van Middelaar, 2019: 1010). We contend that political leaders need to be brought into a position in which they can exercise guidance and control. High level interventions need to be anchored in the policy-making machinery to be able to have an impact. If that happens, community-based solutions can appear remarkably attractive, and agreeing on them remarkably easy, when compared to the vicious intergovernmental bargaining on ESM involvement or Corona bonds. In the Covid case, it resulted in a massive Recovery Fund, which introduced a form of debt mutualisation that had been unthinkable as late as early April.

References

Ackrill, R., Kay, A., and Zahariadis, N. (2013). Ambiguity, multiple streams, and EU policy. *Journal of European Public Policy*, 20(6), 871-887.

Bastasin, C. (2012). *Saving Europe. How National Policies nearly destroyed the Euro*. Brookings Institution Press.

Beach, D., and Pedersen, R. B. (2019). *Process-Tracing Methods. Foundations and Guidelines* (2nd ed.). University of Michigan Press.

Becker, S., Bauer, M. W., Connolly, S., and Kassim, H. (2016). 'The Commission: boxed in and constrained, but still an engine of integration', *West European Politics* 39(5): 1011-1031.

Bickerton, C. J., Hodson, D., and Puetter, U. (2015). 'The New Intergovernmentalism: European Integration in the Post-Maastricht Era', *Journal of Common Market Studies* 53(4): 703-722.

Blyth, M., and Matthijs, M. (2011). Why only Germany can fix the euro. *Foreign Affairs*.

Bocquillon, P., and Dobbels, M. (2014). 'An elephant on the 13th floor of the Berlaymont? European Council and Commission relations in legislative agenda setting.' *Journal of European Public Policy,* 21(1): 20-38.

Boin, A., 't Hart, P., Stern, E., and Sundelius, B. (2017). *The Politics of Crisis Management. Public Leadership under Pressure*. Cambridge University Press.

Boin, A., 't Hart, P. and McConnell, A. (2009). 'Crisis exploitation: political and policy impacts of framing contests', *Journal of European Public Policy,* 16(1): 81–106.

Börzel, T. A. (2016). From EU Governance of Crisis to Crisis of EU Governance: Regulatory Failure, Redistributive Conflict and Eurosceptic Publics. *Journal of Common Market Studies, 54*(5(S1)), 8-31.

Bulmer, S., and Paterson, W. E. (2013). Germany as the EU's reluctant hegemon? Of economic strength and political constraints. *Journal of European Public Policy,* 20(10), 1387-1405.

Burns, J. M. (1978). *Leadership*. Harper and Row Publishers.

Cross, M. (2017). *The Politics of Crisis in Europe*. Cambridge: Cambridge University Press.

Dinan, D., Nugent, N., and Paterson, W. E. (2017). *The European Union in Crisis*. London: Macmillan.

Fabbrini, S. (2016). 'From consensus to domination: the intergovernmental union in a crisis situation', *Journal of European Integration* 38(5): 587-599.

Genschel, P., and Jachtenfuchs, M. (2014). *Beyond the Regulatory Polity? The European Integration of Core State Powers*. Oxford University Press.

Genschel, P., and Jachtenfuchs, M. (2021). Postfunctionalism reversed: solidarity and rebordering during the COVID-19 pandemic. *Journal of European Public Policy*, 1-19.

Gerring, J. (2017). *Case Study Research. Principles and Practices*. 2nd edition. Cambridge University Press.

Goldfinch, S., and 't Hart, P. (20003). Leadership and Institutional Reform: Engineering Macroeconomic Policy Change in Australia. *Governance*, *16*(2), 235-270.

Grant, C. (1994). *Delors: Inside the House that Jacques Built* (London: Nicholas Brealey Publishing).

Hooghe, L., and Marks, G. (2019). Grand theories of European integration in the twenty-first century. *Journal of European Public Policy*, *26*(8), 1113-1133.

Jones, B. D., and Baumgartner, F. R. (2005). A Model of Choice for Public Policy. *Journal of Public Administration*, *15*(3), 325-351.

Jones, E., Kelemen, R. D., and Meunier, S. (2016). 'Failing Forward? The Euro Crisis and the Incomplete Nature of European Integration', *Comparative Political Studies,* 49(7): 1010-1034.

Kamkhaji, J. C., and Radaelli, C. (2017). Crisis, learning and policy change in the European Union. *Journal of European Public Policy*, *24*(5), 714-734.

Kassim, H., Connolly, S., Dehousse, R., Rozenberg, O., and Bendjaballah, S. (2017). 'Managing the house: the Presidency, agenda control and policy activism in the European Commission'. *Journal of European Public Policy* 24(5): 653-674.

Keeler, J. T. S. (1993). Opening the window for reform. Mandates, Crises and Extraordinary Policy-Making. *Comparative European Politics*, *25*(4), 433-486.

Kingdon, J. W. (1984). *Agendas, Alternatives and Public Policies*. Boston, Little, Brown.

Kreuder-Sonnen, C. (2018). Political Secrecy in Europe: crisis management and crisis exploitation. *West European Politics, 41*(4), 958-980.

Lipscy, P.Y. (2020). COVID-19 and the Politics of Crisis. *International Organization,* 74 Supplement: E98–E127.

Mody, A. (2018). *Eurotragedy. A drama in nine acts.* Oxford: Oxford University Press.

Moravcsik, A. (1999). A New Statecraft? Supranational Entrepreneurs and International Cooperation. *International Organization,* 53(2), 267-306.

Moravcsik, A. (2018). 'Preferences, Power and Institutions in 21st-century Europe', *Journal of Common Market Studies,* 56(7): 1648-1674.

Müller, H., and Van Esch, F. A. W. J. (2020). The contested nature of political leadership in the European Union: conceptual and methodological cross-fertilisation. *West European Politics*, *43*(5), 1051-1071.

Nielsen, B., and Smeets S. (2018). 'The role of the EU institutions in establishing the banking union. Collaborative leadership in the EMU reform process', *Journal of European Public Policy,* 25(9): 1233-1256.

Pollack, M. A. (1997). Delegation, agency, and agenda setting in the European Community. *International Organization*, *51*(1), 99-134.

Princen, S. (2011). Agenda-setting strategies in EU policy processes. *Journal of European Public Policy*, *18*(7), 927-943.

Puetter, U. (2014). *The European Council and the Council. New Intergovernmentalism and Institutional Change*, Oxford: Oxford University Press.

Rosenthal, U., Charles, M. T., and 't Hart, P. (1989). *Coping with Crises: The Management of Disasters, Riots and Terrorism*. Charles C Thomas.

Ross, G. (1995). *Jacques Delors and European Integration* (Cambridge: Polity Press).

Smeets, S., Jaschke, A., and Beach, D. (2019). 'The role of the EU institutions in establishing the ESM. Institutional leadership under a veil of intergovernmentalism', *Journal of Common Market Studies,* 57(4): 675-691.

Tallberg, J. (2006). *Leadership and Negotiation in the European Union*. Cambridge University Press.

Tömmel, I., and Verdun, A. (2017). Political Leadership in the European Union. *Journal of European Integration*, *39*(2), 101-112.

Van Middelaar, L. (2019). *Alarums and Excursions. Improvising Politics on the European Stage*. Newcastle: Agenda Publishing.

Young, A. R. (1991). Political leadership and regime formation: on the development of institutions in international society. *International Organization*, *45*(3), 281-308.