

Remunicipalization of water management in Spain: legal barriers to successful narrative

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Abstract: As a result of the austerity policies applied in Europe after the global economic crisis, some of the New Public Management proposals have been reactivated, especially the outsourcing of public services. Given the negative and unforeseen consequences, observed in many cases after its implementation, a set of opposite reforms emerged as the economic situation improved. Re-municipalization strategies or return to public hands of previously privatized or outsourced services appear, especially at the municipal level. However, in countries like Spain, there is a gap between the abundance of political speeches that support remunicipalization and the low effectiveness of these reforms. Taking water management as a case of empirical analysis, this work deepens in these processes, questioning their scope, trajectory and the reasons of the gap.

Key words: public services; water policy; drinking water; local administration; municipalities; Spain

1 Introduction

Due to the Great Recession, almost all European countries have had a negative impact on their economy. To address this issue, European Union agencies and major international economic institutions (IMF, World Bank, and OECD) have jointly proposed a set of ideas and tools, which are labeled as fiscal tightening policies. According to Bryce (2013:2), austerity is "a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices and public spending to restore competitiveness, since it is assumed that this is best achieved by cutting deficits, debts and government budgets.

Austerity policies in Europe were implemented, especially in the Mediterranean countries, with very significant political, social and economic consequences, the impact of which is still being felt. In general, these strategies began at the central levels of government and, either by isomorphic coercion of government and, or by mimicry, were subsequently transferred to local governments, where they were implemented in many cases with large doses of tension (Lippi and Tsekos, 2018). Austerity includes measures such as cuts in citizens' entitlements to public services, the withdrawal of the state from service provision or, more generally, the downsizing of the state (Overmans and Noordegraaf, 2014). This package of austerity measures implied in many cases a revival of New Public Management (NPM) proposals, consistent with its ideology of increasing efficiency and its potential to bring savings in the short term (Pollitt and Bouckaert, 2017). Among them, those linked to privatization and outsourcing stand out.

Paradoxically, this NGP reissue program comes at a time when some of these proposals have been criticized since the

mid-2000s or certain transformations of this public management paradigm have begun to be detected (Schwab, Bouckaert and Kuhlmann, 2017). For example, Hood and Dixon conclude that, after 30 years of reforms along these lines, UK government "costs a bit more and works a bit worse" (2015: 183). Moreover, among the potential negative effects of NPM highlighted by numerous studies, it is noted that it can promote fraud and increase corruption, as well as raise distrust of government (Pollitt, 2014).

Given the unintended negative consequences observed in many cases and the obvious ideological burdens behind many of these proposals, some governments reacted with a set of reforms following a different path from the one referred to by Pollitt and Bouckaert as "the minimal state trajectory" (2017:119). As Warner points out, "current research shows that local public markets are fragile and tend to concentrate. Local governments simply substitute a public monopoly for a private one, and both models entail monopoly rents" (2017:12). It is in this framework that the local governments have emerged with so-called re-municipal strategies, or returned previously privatized or outsourced services to public institutions. Their justification has to do with the demonstration that the outsourcing of certain services has not always generated the assumed benefits, either because the costs have not been reduced but have increased, or because equity and environmental deficits have been generated, or because there have been cases of capture - and even corruption - in relation to contractual negotiations, or because of a confluence of all or some of these causes (Pigeon ...[et al], 2012). The response to the problems detected has been to try to directly manage the previously outsourced services again, in short, to internalize them again. However, the effective recovery of these services into public hands has not proved to be as simple as might at first sight be supposed, even when the political will exists, since this type of process requires overcoming numerous veto points.

This paper explores in depth these processes of recovery of the direct management model of public services, questioning its scope and trajectories. To this end, it focuses on the local level of government in Spain as a reality to be explored empirically, as it is a paradigmatic case where remunicipalizations have had a high incidence. The questions to be answered are: What is the level of political support for these reforms? Does this support vary by type of service? What intensity and trajectory are remunicipalizations of local public services taking in Spain? What explanatory factors underlie the cases of successful and unsuccessful reforms? It is known that services are being recovered in Spanish municipal governments, but their level of generalization and their dynamics remain to be unraveled.

The study combines quantitative methodology based on survey-based information in the first part and qualitative methodology through case studies in the second part. It starts with a comparative analysis of the preferences of European mayors on the type of management of public services (public, private or public-private partnership), in order to detect whether there is a real demand for remunicipalization and, if so, where it manifests itself. After that, focusing on Spain, an analytical basis is provided to explore the map of remunicipalizations actually carried out, in order to quantify their level of generalization. In the second part of this paper, guided theoretically by J. Kingdon's (1984) "Multiple Streams Framework" and narrative analysis, two case studies of remunicipalization strategies in Spanish municipalities will be explored, with the aim of identifying the factors that have influenced their success or failure. To this end, the analysis will focus mainly on the area of water management services, as this is the one with the most complex political and structural conditions. And two situations, selected from a database prepared for this purpose, will be analyzed to check whether the predictions arising from the analytical framework materialize empirically. The paper concludes with some theoretical and practical reflections on the politics of change towards a post-GNP model in the post-crisis period.

2 Mismatch between the will to remunicipalize and the reality of its implementation

The New Public Management paradigm proposed a reform agenda based on the importation of private management

techniques to public management, in order to modernize the administration and improve the efficiency and effectiveness of its operation. Outsourcing -or the provision of public services by private agents- was one of its popular techniques and, in Europe, local governments were the scenarios where these strategies were widely implemented. Although there are no systematic studies compared by sector on their degree of dissemination, it could be affirmed that outsourcing is a very generalized form of local public service provision (Salamon, 2002). However, recent research is identifying certain transformations of the model (Steen ...[et al], 2017) marked particularly by the emergence of remunicipalizations of services, although there is insufficient knowledge on the relevance of the phenomenon.

A first approach to the subject can be found in the mayors' attitudes regarding their level of support for such reforms. These local political leaders are the center and starting point of reform initiatives. Therefore, in appropriate circumstances, the trend of further re-industrialization should be changed starting from the willingness to reform the local political system at the highest level. Information from the POLLEADER survey (Heinelt ...[et al], 2018) collects the questionnaire responses of more than twenty-five thousand European mayors on this and other topics, providing interesting data in this regard.

When asked whether they would like to increase or reduce outsourcing, European mayors are clearly in favor of not changing the type of provision in place at the time of the study (years 2015-2016). Fig. 1 presents these data, showing that most leaders support the existing form of management in their municipalities, whatever it may be, and do not want changes. Only in two countries (Denmark and Greece) less than half of the surveyed mayors support stability, but curiously they do not do so to opt for remunicipalizations, but to support more outsourcing. It could be concluded, therefore, that there is no generalized remunicipalization trend, at least not as far as the local world is concerned, and it is up to the mayors to decide for remunicipalization.

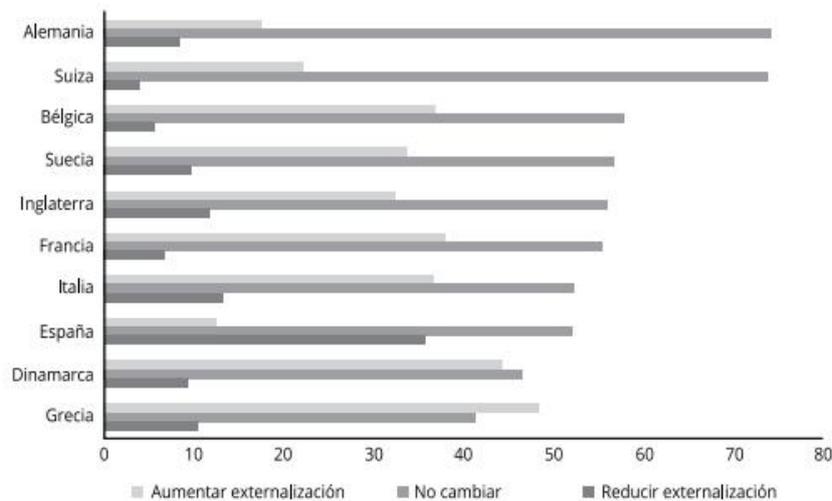


Fig. 1. European mayors' preference for changes in supply forms (%)

Source: Based on Polleader's (2015-2016) data, self compiled.

However, the Spanish case shows a singularly different reality from that of the rest of the countries. Thirty-six percent of Spanish mayors say they would prefer the remunicipalization of public services, and they are the only ones who prefer this option to continued outsourcing. According to the survey, the reasons justifying their choice include the improvement in the quality of public services and the reduction in the cost of these services for citizens. They are mainly mayors who are ideologically on the left, although this vision is also shared by many others with centrist or conservative positions (Salvador and Pano, 2018). They are also identified by their experience at the head of local politics: the shorter the mayor's tenure, the more likely they are to support remunicipalization. It can be inferred from this that this group also includes

many leaders of the so-called "new politics", i.e., political parties that have recently joined the local power for the first time (notably Podemos and its coalition).

The data also make it possible to discriminate between types of service and to observe which services are more favored for public management. Fig. 2 shows that in the analysis of water management in the second part of this article, all countries except the United Kingdom prefer public management (or in partnership) to private management. In Spain, this figure is as high as 50 percent. Among the possible explanations for these preferences, there are technical and political ones. Technically, the theory of transaction costs holds quite solidly for water management that this type of service could be better served with public provision (Carrillo ...[et al], 2007). The existence of multiple abuses by subcontracted companies and the emergence of corruption scandals in this type of services may also be behind these preferences (Gómez, 2017).

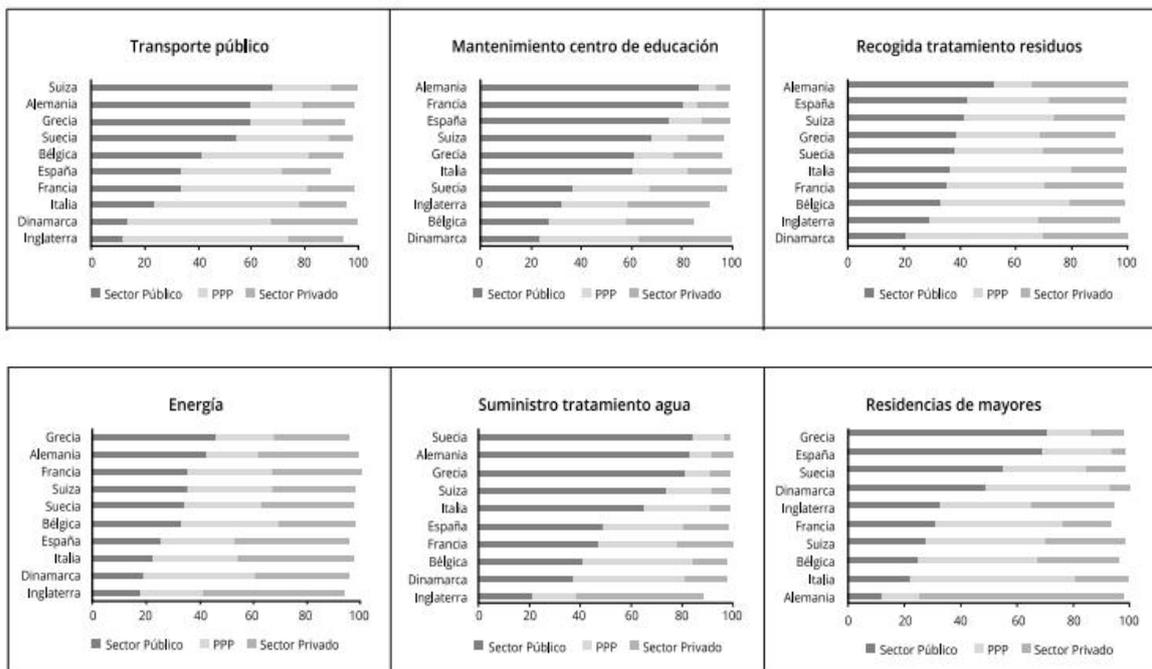


Fig. 2. European mayors' preference for types of public service provision (%)

Based on Polleader's data, self-made (2015-2016).

Consistent with the results of the survey, it would be normal in Spain for the majority of citizens to have public water supply and management services and infrastructures or, if this is not the case, at least the municipalities governed by the left (which currently include the majority of the Spanish population) would already be implementing remunicipalization measures. The data, however, do not indicate this. In fact, Spain is today still one of the developed countries with a higher number of private companies involved in urban water management; 23% of Spanish municipalities have private capital invested in the management of these services, a percentage that approaches 55% when exposed in terms of population served (Ruiz-Villaverde ...[et al], 2015). In other words, the demand of the mayors exposed in the previous lines does not correspond to a real increase in remunicipalizations to the same extent and level of intensity. Other sources even raise this figure. Magre and Pano's (2016) exploration of the municipalities of Catalonia, based on a study carried out in 2013, shows that most of the Catalan municipalities with more than 500 inhabitants (56.5%) would manage the supply of drinking water through some contractual figure. The data from this same study for the country as a whole also show a clear tendency to resort to outsourcing mechanisms for the provision of this service.

In any case, the specific intensity of the remunicipalization phenomenon in Spain is difficult to deal with for various reasons. Firstly, the fragmentation and plurality of the Spanish municipal map, with its more than eight thousand municipalities, make it extremely difficult to monitor the functioning and activity of local councils. In addition, there are other challenges linked to the study of this subject since, in theory, it would imply a change in the form of service provision. This fact cannot always be clearly delimited in practice, due to the various existing contractual figures or because it sometimes affects only some parts of the service and not all of it. Also, the political sensitivity and conflictive nature of these processes may impose a certain degree of discretion at certain times, which makes it difficult to detect them until the change actually takes place.

In the study carried out by the Carles Pii Sunyer Foundation in 2016 to determine the scope of remunicipalizations in Spanish municipalities with a population of over 50,000 inhabitants¹ (82% of 143 municipalities participated in this study), 34 experiences of remunicipalization of services were detected, which means a percentage of 20.3%. These initial data already reveal some elements of interest. Although remunicipalization is a practice that is concentrated in a relatively small number of municipalities, it is true that some choose to promote these processes in several services. In fact, of the 24 municipalities which responded that they were carrying out a change in their service provision models, 7 (almost 30%) repeated the experience in more than one service.

Among all the services included in the study, the most common ones that are remunicipalized or in the process of remunicipalization are the drinking water supply services. Many of the municipalities take advantage of the termination of the previous contract to rethink the form of management and consider the possibility of direct management. In turn, political commitment appears as one of the reasons for the change, although other causes such as technical evaluations are also mentioned. The study refers to other subjects and activities that are the object of these processes of change. A global analysis of all of them yields a first approximation: in practically all activities it is possible to identify affected rights, both from the perspective of the good itself that is the object of remunicipalization -as would be the case of water-, or from other approaches such as the rights of the workers and the conditions for the development of the service.

In short, the support of local political leaders for the remunicipalization of services is not matched by the implementation of remunicipalization processes to the same extent. How can this gap between preferences and realities be explained? Why is remunicipalization of services (especially water management) not taking place if it seems politically coherent? The qualitative approach using the case-study technique discussed here will provide some clues for a better understanding of this paradox.

3 Problems, solutions and policy in water management

Private management of public services at the local level has a long tradition in Spain. Since the mid-1980s, with the approval of Law 7/1985 on *Local Regime Bases*, there was an important change in the model towards greater outsourcing, a change that has been reinforced since the economic crisis. The *Local Regime Law* itself, after being reformed in accordance with Law 27/2013 on the rationalization and sustainability of Local Administration, stipulates that "in order to favor private economic initiative, avoiding disproportionate administrative interventions, the use of administrative authorizations to initiate an economic activity is limited to cases in which its necessity and proportionality are clearly justified" (Preamble). Therefore, outsourcing in Spain is simple and the institutional design promotes it, thereby favoring the capture of decisions. As Sancho (2017) indicates, when there is centralization in procurement decision-making, as occurs in Spain with the figure of the *strong mayor*, and also the degree of autonomy of the public power with respect to the economic groups present in the respective economic sector is low, such a phenomenon tends to occur. Moreover, as

highlighted by Sánchez ...[et al] (2018), the classical water governance regimes were generated by focusing the interest on management optimization.

Remunicipalization, however, seems more difficult especially if the concession contract has not ended. Normally, the outsourcing of water management is done through administrative concessions of 20/30 years duration, so waiting for the end of the concession can be very difficult in many cases. To make private management more viable, already in 2011, through the so-called *Sustainable Economy Law*, the private water lobby achieved that, in the case that the entity managing the public service is a municipal mixed company or a private company, water is governed through a private price, i.e. through a tariff and not a rate. Moreover, one of the objectives of the aforementioned reform of the *Local Regime Law* of 2013 has been to prevent the participation or constitution of instrumental entities (such as public companies) by municipalities when these are subject to an economic-financial plan or an adjustment plan. In short, these procedures involve great complexity and need to overcome a large number of vetoes.

Summarizing, remunicipalization is required at the time of the termination of the public service management contract (Fernández-Villaverde, 2017: 25):

- The service must be municipalized (agreement of the Plenary that this service is publicly assumed, regardless of the way in which it is provided).
- Processing of the file for the modification of the form of management.
- To prove that with the change, management becomes more efficient and sustainable.
- Reversion of the works and installations.
- Verification of the adequate state of conservation and operation of the works and facilities.
- If management by a local public company is chosen: report justifying that the management is more sustainable and efficient.
- Subrogation of the contractor's personnel.
- Intervention Report.
- Approval by the Plenary.

But if remunicipalization occurs during the term of the contract, the requirements skyrocket (Fernández-Villaverde, 2017: 25):

- The service must be municipalized (agreement of the Plenary to publicly assume this service, regardless of how it is managed)
- Legal justification for the abnormal and early termination of the contract.
- Rescue, which normally does not have a sanctioning nature, because it is not due to a breach by the contractor.
- Significant economic and financial consequences for the Local Entity (compensation and return of the guarantee).
- Justification of the public interest motivating the rescue.
- Valuation of the cost of the operation in accordance with the legal rules in force.
- Listen to the contractor's opinions.
- In case of opposition from the contractor: report from the Council of State or advisory body of the Autonomous Community.
- Subrogation of the contractor's personnel.
- Intervention report.
- Approval by the body that awarded the contract.

As a consequence of this reality, the explanatory theories of how and why remunicipalization decisions are adopted must be sought among those that best explain non-incremental changes in decision-making. When talking about policy change, one can speak of "changes in discourses and theories in use, changes in attitudes, changes in procedures, changes in policy content, changes in behavior and changes in recipients. All these changes are different from each other, although they may occur together" (Viñas ...[et al], 2018: 122). In this text we will essentially analyze changes in discourses and changes in ideas and attitudes, given that the other changes have not occurred or have done so marginally. In order to explain the changes that have occurred, as well as some that have not occurred, and why these changes have occurred, the theory that best aligns with this goal will be used.

In essence, two theories will be used in a balanced way: the Multiple Streams Framework (MSF) and the Advocacy Coalition Framework (ACF). The former has its origin in the texts of John Kingdon (1984) and understands collective choice as the result of cognitive and affective processes and power relations that are dependent on a given context and have a notable level of contingency. The theory tries to explain why some issues are recognized as public problems and are integrated into the public process and others die without entering the agenda. To this end, it identifies variables that explain the transition from agenda to public policy. According to Kingdon, this can be understood by focusing on three types of processes that he calls streams: the problem, the solutions (policy) and the politics. The chances of an issue entering the agenda and a public decision being taken on it increase exponentially when certain events, developments or simultaneous alterations occur in these streams. It is at these moments that a "window of opportunity" opens for the issue to penetrate the governmental agenda and generate a policy change. This framework makes it possible to understand the initial decisional phase in these remunicipalization policies for services that had been privately managed until then.

Regarding the evolution of the "problem", in Spain we can observe a deterioration in the quality of water provision and recycling services in certain localities, their high prices and the fraudulent practices of certain companies, essentially due to the deficient degree of public control over the performance of private operators in the area of investment development or in the monitoring of the quality, tariffs and effective cost with which certain services are provided (Gómez, 2017). This is not a priority problem on the national or regional agenda and, in fact, it never appears in the studies of the Sociological Research Center as a relevant problem. But if it is properly framed and connected with corruption, it can indeed be built as an important problem for citizens, especially in localities suffering from poor quality or very high prices. Keep in mind that corruption has been the second most important problem for Spaniards for almost six years.

An important part of the water privatization processes has generated cases of corruption and has shown signs of policy capture. Thus, for example, it has happened with the privatization of Aigües Ter-Llobregat (ATLL), a public company of the Generalitat de Catalunya that provides water to 4.5 million people, which was awarded Acciona at the end of 2012 and whose tender has been annulled as fraudulent by the Superior Court of Justice of Catalonia, in a sentence later ratified by the Supreme Court². Moreover, the Anti-Corruption Agency of Catalonia also asked in 2016 to annul the entire privatization for irregularities and false invoices. One of the main drivers of the privatization was an advisor to the President of the regional government, a director of the leading company of the consortium winning the privatization and also a personal investor through another front company. For its part, the AGBAR group, through its multiple and changing subsidiaries, controls a large part of the water business in Spain. In one of its subsidiaries in Cantabria, according to data from the Public Prosecutor's Office and the judge who investigated the facts, it allegedly developed a business policy that included bribing political authorities and officials with the aim of obtaining awards from public administrations (Alonso and Urriticoechea, 2017). In Catalonia, about 85% of the population has privatized water services and, curiously, the AGBAR group (which supplies 90% of that population) has been the largest donor to the party in government of Catalonia

(CDC) between 2008 and 2013 via foundations (895,000 euros to CatDem and 695,000 to Barcelona Fòrum) according to the newspaper El País (21-10-2015). More notably, in 2013, when Aigües Ter-Llobregat (ATLL) was acquired by its competitor Acciona, there were no donations from AGBAR to CDC. The cases of corruption linked to water in the region of Murcia are even more serious³.

From the perspective of "solutions" or policy, when deciding between the market or the hierarchy, it is necessary to apply the theory of transaction costs in order to adequately support one or the other position regarding the type of public or private service provision. Transaction cost theory addresses one of the fundamental problems of neoclassical economics: the role of information in coordinating economic activity. The difficulties and costs of obtaining information in the marketplace often seem insurmountable. Economic organization is a problem of contracting, of how to relate contractually in order to exchange economically. Douglass North (1992: 6) defines transaction costs as "all the costs incurred in operating in an economic system". According to Arrow (1983), transaction costs are the costs of running the economic system and can be of two types: "ex ante" and "ex post". The ex ante applies to the costs of preparing, negotiating and safeguarding an agreement. Ex post refers to the cost of adapting poorly to the original specifications of the transaction and contract at the same time; the cost of bargaining to correct transactions after the contract; installation and management costs related to the governance structure discussed with them; and the cost of fulfilling commitments. The concepts to evaluate whether markets or hierarchies are the most efficient for allocating resources are the following (Williamson, 1975): bounded rationality, uncertainty, opportunism, small numbers exchange, atmosphere. Opportunism is the astute pursuit of self-interest; this opportunism can manifest itself as adverse selection and moral hazard problems. Agents rationally tend to provide incomplete or misrepresented information to their principals. The perspectives of the market and hierarchy recognizes that attitudinal and ethical considerations are very important in contractual relationships. Thus, Williamson (1975 and 1985) creates the concept of atmosphere, which encapsulates the moral basis framing the transaction system, and asserts that the benefits derived from creating an appropriate atmosphere for economic transactions is an essential justification for the design of governance structures.

In general, it could be said that outsourcing would be economically justified when the costs of producing the service internally are higher than the prices of the contracting company, plus the transaction costs of generating and monitoring the agreement. More specifically, the transaction costs involved in an outsourcing of a local public service would be (Globerman and Vining, cited in Carrillo ...[et al], 2007: 156):

a) Negotiation costs including: negotiating the details of the contract; negotiating modifications to the original contract if necessary; ensuring compliance with the contract; resolving disputes that may arise, including the termination of contracts. These are costs that arise when both parties operating in good faith and pursuing their own self-interest. In order to perform this work properly, it would be very important to have highly trained personnel in the corresponding administration, capable of disaggregating functions in a thorough manner, avoiding outsourcing entire processes without control; establishing clear and measurable objectives; describing in detail the service to be provided, with quantities, times, deadlines, technical requirements, personnel competencies, infrastructures to be generated or used, etc; establishing the conditions of the service and its quality standards in a measurable and verifiable manner; specifying the periodic audits to be performed and the requirements for performing them; defining the penalties for non-compliance and the conditions for restriction or reversion in a clear manner.

b) The costs of opportunistic behavior, which incur when one of the parties operates in bad faith and attempts to change the terms of the contract in its favor.

c) Production costs, which are the opportunity costs of the resources used in the production of the service.

All things considered, direct management would be recommended when: 1) The task to be performed is complex and uncertainty is high, since in these cases transaction costs soar; 2) The difficulty of obtaining undistorted information is high; 3) Market entry is difficult and there is a shortage of potential suppliers; and 4) The specificity of the resources used is high or, in other words, "these resources are essential to produce the good but lack value for other alternative uses. The greater the specificity, the greater the risk of opportunistic behavior. If resources with a high degree of specificity are used, there will be a risk for the contractor, who becomes vulnerable to the administration, which in turn will be at risk as future contracts will be dependent on a single contractor and may result in higher prices or reduced quality" (Carrillo ...[et al], 2007: 157); 5) when the ethical atmosphere is deficient and there are numerous cases of corruption affecting outsourcing. In short, it could be said that there are public services that are more easily outsourced, while others, such as water management, have sufficient theoretical and empirical foundations to question these processes.

In Spain, the alternative of direct management not only seems perfectly viable, but also has in its favor multiple empirical studies proving that private water management not only fails to improve efficiency (Bel ...[et al], 2010), but that it may even be more inefficient. In fact, Benito ...[et al] (2018) have analyzed whether the effective cost of drinking water provision depends on the management model adopted by the local government for a sample of more than 3,500 municipalities in Spain. What they have found is that the provision of drinking water is cheaper if the management is performed directly by the local government. Consequently, their results suggest that private provision of public services is not always more efficient. In addition, the Spanish Court of Audit in its 2011 audit report on the local public sector, showed that direct public management of basic services such as household drinking water supply, street cleaning and solid urban waste collection have a lower cost than outsourcing these services, at least in municipalities with less than 20,000 inhabitants (95% of all Spanish municipalities). Specifically, private management is 22% more expensive than public management in small and medium-sized municipalities, in addition to having 30% higher network losses and 15.5% lower investment (Court of Auditors, 2011).

Finally, the process or flow of "politics" and its power games are also essential to understand why actors act. To explain political strategies and tensions, some elements of the *Advocacy Coalition Framework*, coined in the 1980s by Sabatier and Jenkins-Smith (1998) and reformulated by Sabatier in 2007, are used to explain political strategies and tensions. This framework is based on the principle that the public policy cycle model is a limited heuristic that does not allow us to understand and analyze the true complexity of policies. Thus, the decision-making process does not end when the general purpose has been defined, as the task of deciding, like "execution" tasks, is present in all policy, and are even interrelated (Simon, 1957). In the political game, various actors interact in the definition of the public problem and in the choice of the most appropriate instruments for its solution. In democratic systems, the actors strive to impose their definition of reality and, consequently, their interests and vision of the world. The *Advocacy Coalition Framework* is linked to this vision of political change, since it attaches great importance to the cognitive aspects linked to the definition of the problem and its solutions. Belief systems (this is how ideas are conceptualized) change within the promoting coalitions, which take advantage of opportunities in the external structures of the social and economic framework or in government coalitions to incorporate their beliefs into the corresponding public policy. Changes in the belief system determine the change in public policy. In other words, there will be a change in public policies (policy change) when there are transformations in the belief system. If policy core beliefs are changed, the changes will be substantial, and if secondary beliefs are changed, the changes will be more superficial. Since remunicipalization requires that policy entrepreneurs define the problem well and generate an effective narrative to defend the change of model, it is understood that this theory fits in very well with the Multiple Streams Framework (MSF) and adds novel elements to it in terms of the

interrelation of actors and ideas and the capacity for empirical demonstration. For Sabatier (2007), the explanation of change would lie in the evolution of political events, in the external structure of political subsystems, and the changes within this subsystem (the relationship between promoting coalitions and belief systems). Despite the relevance of the model, this theory will not be used exclusively because, as its creators indicate, it is useful when the policy subsystem has been operating for at least ten years, which is not the case with remunicipalization in Spain (except for a few isolated cases). From it, we essentially extract the idea that implementation brings new problems to the agenda, the existence of dominant and minority coalitions, the importance of ideas and the need to build narratives that support the rhetoric of change in an environment where ambiguity and conflict are also present in the implementation phases.

One cannot conclude this qualitative approach to the subject, guided so far mainly by the SPS, without stressing that all these ideas are shaped in narratives and discourses. A discourse is an interactive process of transmitting ideas and unfolds in two ways: in coordinative discourse between actors in a policy and in communicative discourse between policy actors and the public (Schmidt, 2008 and 2010). To the extent that discourses today are increasingly studied from the emotional dimension, the Narrative Policy Framework (NPF) theory will also help to understand the concrete trajectories of remunicipalization attempts.

This theory studies how narratives (stories with characters, plot and moral) are used in the formulation of policies, accounting for their origin, objectives and probable impacts. This theory picks up advances in cognitive psychology studies, enhancing the emotional aspects of the persuasion process that appeals more to people's beliefs than to their rational elements, assuming an audience that seeks shortcuts to gather information and is more prone to accept simple stories that confirm their biases, exploiting their emotions and trust other than facts. For the NPF, actors construct narratives taking into account, on the one hand, legal, normative, geographical, economic and scientific parameters that can be supported by facts and, on the other hand, the events used to construct frames in precise situations and the apportionment of blame (Cairney and Heikkila, 2014). This theory starts from a homo narrans, very different from homo economicus, which operates with bounded rationality, heuristics, confirmation biases, primacy of feelings, social influence, narrative cognition, etc. This homo narrans acts politically in an agora narrans where he tries to present his narrative, first in his network (advocacy coalition) and then in the agora. Obviously, the external setting is very important because it can change and its changes influence the narrative, the coalition or the interaction between narratives. The narrative strategy tries to influence the scope of the conflict (i.e., amplifying it when the coalition tries to change the status quo), causal mechanisms (i.e., allocation of responsibility and blame), and the creation of heroes and villains (McBeth ...[et al], 2007; Shanahan ...[et al], 2011).

Although NPF has often been used with quantitative methods, here it will be used in case studies. Given the post-positional origins of NPF and the rich qualitative narrative analyses that already exist, this framework is considered suitable for incorporating qualitative information and its epistemology, especially when ideological factors in the policies to be analyzed are very prominent and require strong descriptions (Gray and Jones, 2016).



Fig. 3. Application of ACF and NPF in Reindustrialization (Source: Self prepared.)

4 Dynamics of remunicipalization processes: case studies

Putting all the above together, it can be said that, although the remunicipalization of management apparently has a strong technical component, there are several studies which consider that the debate has a marked political content and that it is always possible to interpret the data in different ways to defend one position or another. One of the best known and most commented texts in this regard is an article by Twilight (1998), who argues that transaction costs can be subject to political manipulation to justify the growth or thinning of governments. According to Twilight, the restructuring of costs can occur through two mechanisms by altering perceptions about the costs and benefits of government action and altering the costs of action based on perceptions of the costs and benefits. When decisions such as remunicipalization are taken, the rules of the game are being modified and, at the same time, sufficient political support must be obtained to put them into effect (we must not forget that the vote of the Plenary is required). Opportunistic games by the opposition or, in the case of a coalition, by the government partners themselves, are very possible. But, in addition, the implementation of the decision is also an integral part of the decisional process (Hupe ...[et al], 2014). The battle continues in every alleged technical decision. As Olavarría (2017: 121) points out, following Hasenfeld and Brock's categorization, "policies that entail appreciable levels of conflict and unfold in environments of high political controversy would be more prone to the dominant driving force being the power relationship", as opposed to less conflictual and more technical policies, where the driving force would be the search for rationality or organizational fit.

The initial scenario is based on the following data. First, there is a clearly pro-outsourcing institutional design, as already seen in the first part of this study. However, the social environment is quite different. As can be seen in Fig. 4, in recent years the number of people who prefer public services provided by public organizations has been increasing. Local governments, therefore, have political incentives to internalize.

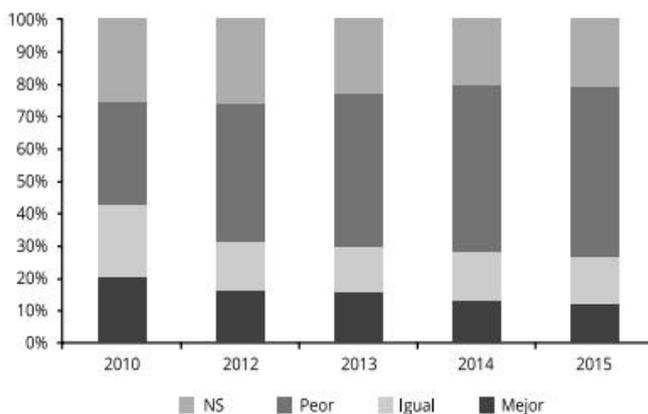


Fig. 4. Would the effect be better or worse if public services were provided by private companies (2010 to 2015, CIS).

Source: Sociological Research Center.

Added to this is the tendency of mayors, for reasons of electoral or ideological interest, in favor of remunicipalization (see above). In terms of political environment, remunicipalization arises from a critical juncture that would be the municipal elections of 2015, which allowed a broad arrival to power of left-wing coalitions in Spanish municipalities. It is also true that the image of privatization policies had already been deteriorating for quite some time, especially since the economic crisis and power cuts in 2009, citizen movements, such as the 15M, have incorporated into their agenda through severe criticism of neoliberalism and its defense of privatization.

From the window of opportunity perspective, on the one hand, there is a widely perceived problem such as water outsourcing and, in some cases, infrastructure management that has been linked to cases of corruption and policy capture and also the low quality of services. According to the "Eurobarometer" on corruption, in 2017, even though the economic

crisis has been overcome, 75% of Spaniards still believed that corruption was a part of the business culture in the country (European average 62%) and 69% (in 2013 it was 67%) believed that the only way to succeed in business was political connections (European average 52%). In this context, it seems politically profitable to accuse the opposite of corruption when there are problems with water management and address the problem through remunicipalization when governance is in place. In short, in many municipalities where water management has been outsourced, there is a problem and there is an interest in solving it through remunicipalization. In the search for feasible solutions, remunicipalization offers sensible solutions in terms of efficiency, equity and respect for the environment. All this explains the growth of pro-remunicipalization coalitions and the progressive change in collective beliefs about the best way to manage local public services. This ideological dominance is being consolidated by the generation of effective narratives by the pro-internalization coalition, in which the conflict and those affected are cleverly opened up, responsibilities and blame are effectively assigned, heroes and villains are created, and a solution is offered that is consistent with the morality of the story told. Two specific trajectories of remunicipalization processes are presented below.

Valladolid is a city with about 300,000 inhabitants. After twenty years of conservative governments, it has been governed since 2015 by the socialist party thanks to the support of other left-wing groups. In July 2017, after the 20-year concession had already run out, the municipality recovered the direct management of the water supply service. In doing so, the socialists fulfilled their electoral program which stated that public water services should preferably be municipal. More specifically, they promised that "decisions on the management of the urban water cycle would be in the hands of the municipality, avoiding any kind of profit with such a basic public good, beyond the provision of absolutely essential technical services. We will promote 100% public management models"⁴. Even more clearly, the Podemos party proposed the progressive remunicipalization of water and its services through a *Pact for Public Water*, while Izquierda Unida promised that "we will improve urban services and gradually recover their public management, especially water and sanitation"⁵. All this led to the incorporation of "public control of the management of the water cycle" as a measure within the government pact.

This experience shows how, in the process of constructing the problem, the government of Valladolid followed a model quite different from that of other municipalities that had attempted remunicipalization. In the mayor's interpretation, the process was not a political whim guided by merely ideological criteria, but rather "part of an in-depth study of service conditions and the best solutions to address their management in the coming years" (Puente, 2017:18). In the stream of solutions, a group of experts, economists and engineers was formed to analyze for months the service provided. The key to the privatization process was in the discovery of the precarious state of conservation of the supply network. A significant part, between 20% and 30%, was more than 60 years old and the average was over 30 years old. From an economic perspective, it was shown that it would be more profitable to take over the management directly (100% public company) than to maintain the system, even if a high fee was demanded from the company for the concession (Valladolid City Council, 2016: 65 et seq.). The investment deficit is approximately 100 million euros, and in order to ensure the quality of the network, it is necessary to invest approximately 178 million euros within 15 years. Over the past 15 years, direct management will accumulate cash flow of \$186.5 million, an increase of \$60 million compared to continuing franchising and \$13 million compared to choosing a joint venture, among other reasons due to the tax advantages, such as a 99% rebate on the corporate tax rate, exemption from municipal taxes or the VAT liquidation. The technical studies were of such a high quality that they were not contested by the private company carrying out the management. In Valladolid, the problem was not connected to capture or corruption when generating its narrative, even though the argument of democracy was used. According to the mayor: "it produces astonishment and concern to see how the legitimate representatives of the

citizenry are intended to prevent the normal exercise of their powers from a simple private entity, however powerful it may be" (Puente, 2017: 20).

In defense of remunicipalization, a broad coalition was formed, made up of the city's left-wing parties as well as the most important neighborhood associations, groups such as STOP evictions, the most important unions and the Red Agua Pública (Public Water Network). Equally important in establishing this alliance is the *Water Services Reindustrialization Declaration*, which is composed of the Sustainable Urban Culture Association, the Castile and Leon Engineers without Borders Association, the Fagua Consumers and Users Association, Environmentalists in Action, the Antonio Machado Community Association Federation, the Larondira Community Residents Association, a Political Party (united left), and a Municipal Group (possible). The opposition alliance consists of the company that received the service itself, the Valladolid People's Party, the Valladolid Entrepreneurs' Federation, and the central government (which was then occupied by the People's Party).

Broadening the affected base is also important for the success of the narrative. In the case of Valladolid, rates were frozen in 2007 and 2008 and, moreover, a rule was passed to exempt families earning the minimum wage (538 euros at the time) from paying the water bill. Another key element is environment. The lack of investment in infrastructures generates water losses in an environment where water is a commodity that is not surplus, so the environmental department supports this decision. Likewise, another sector incorporated as affected by the model in force until the public recovery has been that of the drivers; the defective maintenance generated continuous works that caused numerous traffic jams. Attempts have also been made to include small and medium-sized enterprises in the region in the alliance, since it has been favored that the public company contracts with them and not only with subsidiaries of the AGBAR group. In the identification of the villains, the traditional criterion of first incorporating the national government has been followed, which filed an appeal against the decision and demonstrated its commitment to privatization as a general model, regardless of the evidence showing its lesser efficiency. The private company is also accused of hindering the process with its resources. Specifically, Aguas de Valladolid filed appeals against the agreements of the Plenary of the City Council regarding the remunicipalization of the service adopted in the sessions held in December 2016 and February 2017. However, the court dismissed the appeal, as it did with the one filed by the Ministry of Finance. The company, moreover, is responsible for making invoices more expensive with inefficient management based on the subcontracting at inflated prices of services to its subsidiaries. The peculiarity of the Valladolid case is the incorporation of the former city government as the villain. This government, according to the narrative generated, received an annual fee for the concession of about two million euros and should have reinvested this fee in the maintenance of the network, according to the agreement, but did not do so, using these funds for electioneering purposes. Furthermore, in exchange for the company not denouncing the non-compliance, it stopped controlling the concessionaire in its management.

Finally, it is important in the reconstruction of this narrative to highlight how the Valladolid City Council has been anticipating possible criticisms of clientelism and corruption at the local level. To this end, for example, it has carried out the selection process for the manager of the public company with total transparency and objectivity⁶, ensuring the maintenance of proprietary technology through the participation of staff from privatized companies who have accumulated rich knowledge over the years, or requiring procurement procedures within the company to be as strict and legal as possible. In short, a narrative has been established, including a hero who, in a broad sense, will be the current municipal government.

The case of Móstoles is different because it is not yet a question of re-internalizing the public water service, but rather the maintenance of infrastructures and municipal schools, which was supposed to be simpler. Moreover, it is a question of

trying to recover a public service before the contract has expired. Móstoles is a city of 204,000 inhabitants located in the region of Madrid. Again, here the local government is in the hands of the socialist government, also with the support of the left-wing groups.

The remunicipalization of services was clear from the beginning in the program of the left-wing. The socialist Party stated in its program: "Public management guarantees the control of services by the representatives of the citizens and enables them to achieve higher quality. That is why we want to convey our commitment to the direct management of public services (...) and we propose the maintenance of the direct management of the municipal public sector, with public employees"⁷. This criterion is also clear in the program of the Podemos Party: "exclusion of the private sector, which is not limited to the figure of management by concession, but even to management by a private municipal company or by a mixed company with private capital. Therefore, complete public management and direct public service government are defended."⁸.

The weakness in the case of Móstoles was having a strong tutelage from the central government during that period, generated at the time by the poor state of its finances. The crisis caused a serious drop in income that led to an adjustment plan with the central government in exchange for liquidity. Its adjustment plan made remunicipalization very difficult. Nevertheless, the remunicipalization of the early childhood education service was carried out in 2016, by direct management through an autonomous body. But the fundamental problem that Móstoles has is its attempt to remunicipalize the maintenance of its infrastructures. The company responsible for the management is involved in one of the most serious corruption cases currently in Spain, with dozens of detainees investigated, including the former mayor of the town itself judicially accused of favoring the company ⁹. In addition, according to the city council, the company has breached the contract, but the contract is valid. Considering the existing regulations, the city council cannot proceed with the remunicipalization for the following reasons: 1) They cannot pay the compensation based on the adjustment plan, 2) It would imply an increase in staff that exceeds their possible job offer, and 3) They cannot create a public company because they are subject to the adjustment plan.

From this reality, in the construction of the villain, the city council of Móstoles is clear that the central government with its inflexibility, in addition to its clear commitment to privatization, is guilty. The former mayor, who is under investigation for corruption, also bears enormous responsibility. The problem is that this municipality is forced to work with a corrupt company and is prevented from exercising its democratic right to decide how to provide public services. To address this situation, the City Council has conducted sufficient technical studies of how it would ensure financial viability and is committed to not remunicipalizing without ensuring that the cost is the same or lower and that quality is improved. He has a broad political and social left-wing alliance supporting his project, but so far, he has not been able to win the legal battle. From the case study of Mostoles, it seems clear that ideology and a clear definition of the problem are not enough for remunicipalization in Spain.

In any case, in any comprehensive situation or in other situations in the database, there has been no political response from the alliance promoting privatization. Their response was legitimate and did not mobilize support for maintaining the privatization system. The hegemonic discourse of the remunicipalization is clear.

5 Conclusion

According to Bel and Fageda (2009), fiscal constraints, cost reduction, efficiency gains, political processes and ideological attitudes are the main drivers of privatization. But, empirically, in most of the privatization cases studied, no ideological causes have been found. In fact, the causes have been mostly pragmatic (Bel ...[et al], 2010; Ruiz-

Villaverde ...[et al], 2015). However, at least in Spain, the causes of the birth of the remunicipalization process are usually ideological, although exceptionally they can be purely pragmatic.

Through the analysis of in-depth research cases and other cases learned through various information, several conclusions can be drawn. First, remunicipalization (especially of water) can be electorally useful, at least when it is formulated and incorporated into the government agenda, given citizen preference for the public provision of essential services. The use of citizen participation strategies can be very convenient if important political blockages are observed (as can be seen in the case of Manresa in Catalonia). However, for this to be consolidated, the construction of the problem is very important. In the construction of the problem, it has proved very useful to mix technical problems with political arguments. In the technical arguments, the theory of transaction costs is very useful to support the problems of control over companies and their tendency to opportunistic behavior. Political arguments often connect privatization with corporate abuses of power and policy capture by large industrial-banking conglomerates. Occasionally, illegal corruption, such as bribery and embezzlement, may be reported. It is very important to defend local democracy against institutional blockades generated by the central government and the concessionary companies.

But one of the fundamental findings of this study is the importance of the policy stream in opening the window of opportunity for the pro-remunicipalization coalition. Normally, the study of multiple streams has emphasized the importance of politics as the key variable, with policy being the weakest variable. However, this study has shown that, as a consequence of the pro-market institutional design, remunicipalization is only possible if it is presented with a solid project of viability, as the case of Valladolid demonstrates. Ideology or electoral interests are not enough, not even with a good construction of the problem, as the Móstoles case shows.

Pro-remunicipalization coalitions have tended to be dominated by groups on the left of the political map. However, the cases studied show that broadening the support base has been essential. The groups called upon to join are diverse and context-dependent, although there are some common strategies. The first is to link the management of basic public services with human rights, especially water management, which is clear. Links with environmental interests and addressing climate change are also common. Defending decent jobs has also attracted unions. Generally speaking, freezing or lowering tariffs or providing subsidized prices for groups with special difficulties is another politically useful formula. Today, the pro-municipalization coalitions has a national network and system knowledge base available for policy makers (policy entrepreneurs) to use. There is conclusive data indicating that the decrease in contract prices has led to low service quality and low wages for workers. Research shows the highest public efficiency. The analysis provides evidence of the negative impact of privatization on the environment and equity. Studies have shown that companies have opaque costs, opportunism, and a lack of control over their operations. Pro-municipalization coalitions are beginning to gain hegemony in the battle for dominance of the belief system.

The construction of the villain is another strong points of the narrative strategies followed. The national government has appeared as the villain in these processes, promoting privatization without rigorous technical criteria and attacking local autonomy. The companies in the privatized sector are also villains. Often, the companies have obtained the contracts in a privileged way, with concessions of up to 30 years or with joint ventures where the public sector assumes most of the costs. Once they reach this privileged situation, they proceed to inflate costs, subcontracting at excessive prices with companies of the same group or spending on advertising to improve their image. This fact, together with their enormous profits (hence the large construction companies generate companies in the water sector, for example), makes bills more expensive for the public. They can also take advantage of the information imbalances inherent in this type of contract and, finally, they tend to resist leaving the public system, putting up enormous resistance and avoiding debate. The third villain

is usually the previous corporation when there is a change of government. There are usually no public corruption cases, but citizens' high awareness of corruption has raised doubts about the honesty of previous privatization processes, especially when it can be proven as usual that the abuse of concessionaire companies or joint ventures has not been controlled.

In the end, this study demonstrates the importance of institutional design in explaining the success or failure of the policies of change. The central government's tutelage over the municipalities and their deficient financial situation during the fiscal crisis, together with the neoliberal ideology largely promoted by the European Union and assumed by the conservative Spanish government, generated a regulation that favors privatization and hinders remunicipalization. Certainly, privatization remains the easiest and most direct way to generate, in the short term, additional revenues to help meet the financial commitments of local governments. But the complexity of public service delivery, the limits of market approaches, and the need to involve citizens in service provision require governments to plan and manage politically (Hefetz and Warner, 2004). There seems to be a case for restoring planning capacity of municipalities and relaxing the rules that emerged from the economic crisis in order to balance technical and political concerns and ensure public values.

Conflicts of interest

The author declares no conflicts of interest regarding the publication of this paper.

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