

First of all, we would like to thank you for your valuable comments.

- Of course, profit maximization is not commonly determining the behavior of policy-makers within the Public sector. We are fully agree with you. However, it is really hard to shape a model including some relevant issues (political constraints related to budget allocation, for instance). In other words, we faced a trade-off between offering a simple or an exhaustive model. Moreover, looking throughout the empirical related literature, an increasing number of recent studies just look to the technical efficiency and the whole focus of the analysis is on the role of production costs and/or output production. Of course, there is room in the future for potential extensions including some particular extra features into the making decision process. A frequent avenue to enrich the interpretation of these models focused into Public Sector Performance is to discuss how to distinguish between private and social prices (for instance, using the contingent valuation notion or the CBA notion of social shadow price)
- Regarding your comments 2 and 3, we completely agree with you about the existence of potential extensions to current version of our model. However, this paper aims to synthetize the different elements involved into the central issue (Public Sector Performance and/or Efficiency). For this reason, we have considered not to have any feature which may be seen as sector-specific. Of course, there are a high number of relevant instances within both the theoretical and empirical related literature which includes some particular characteristics of a particular good or/and service (health, education, investment goods, etc) but our analysis tries to discuss it keeping the model as simple as possible to provide a general perspective.

All in all, in the next version, it could be interesting to clarify explicitly our followed approach on this issue.

- Finally, your comment 4 refers to the lack of implications of our final conclusions in section 3.4. Of course, we see your point and next version of the paper should contain explanations in this regard. We think that very relevant implications can be obtained from them. Particularly, our results guarantee that any improvement in global efficiency will be welfare enhancing. At the same time, they do not guarantee that position of producers will be better after implementation of measures leading to efficiency improvements. Consequently, this may disincentive the adoption of such policies. As we mention in "Introduction" section, a part on the literature on Public Choice Theory (PCT) has focused into these implications (collective decision making, lack of competition and rent seeking). In this sense, our welfare results are consistent with these PCT findings.

We hope you find our reply convincing. If not, we will be pleased with providing additional clarifications.