Our research project empirically investigates whether successful environmental policies spread across space. We examine the existence of such environmental spatial policy spillovers using the example of wastewater treatment in Mexican municipalities. The discharge of untreated wastewater is a key pollution source in many developing and emerging countries with devastating effects on ecosystems and human health, so also in the case of Mexico. However, the situation is not equally bad everywhere as wastewater treatment levels differ greatly among the 2,456 Mexican municipalities. We apply spatial econometrics to analyze the impact of environmental policy spillovers and selected socio-economic, demographic and institutional factors to explain differences in wastewater treatment among Mexican municipalities. We use a multi-model-strategy to rule out similarities in the socio-economic, demographic and institutional structure of contiguous municipalities as a single explanation for similar policies in neighboring municipalities. Our main finding is that a municipal administration is significantly more likely to treat wastewater if neighboring municipalities do so as well. Our study is among the first to empirically investigate spatial environmental policy spillovers in developing and emerging countries and to our knowledge the first study to do so in the water and sanitation sector. Our finding that spatial policy spillovers matter for wastewater treatment in Mexican municipalities seems of broader relevance to environmental policy making in developing and emerging countries. In these countries, governments frequently lack administrative, technical and financial capacities to individually develop targeted solutions to environmental problems. Consequently, they may often rely on learning spillovers from nearby success cases. This suggests as a policy recommendation the installation of environmental pilot projects that may then have the potential to trigger domino effects in adjacent areas.