Measuring and Addressing Market Power issues in the Desludging Market in Senegal
PRELIMINARY DRAFT

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Abstract

We test for collusion in the market for sanitation services in Dakar, Senegal by instituting real-time auctions and testing the impact of randomized differences in invitations to bid and other design elements. We ran over 3500 procurement auctions with 112 desludging operators. We find that the auctions are successful in instigating increased competition: the auctions reduce prices by 7%, and auction prices go down over time, although at a decreasing rate. Consistent with predictions of competitive auctions differences in input costs are passed through to the consumer and more invitations to the auctions result in lower prices.

Participation in the auctions remains low at 18%. There is suggestive evidence that members of the largest and most organized garage collude through reducing participation when other members of the garage are invited to the same auction, but this effect is only present in the first year of the auction data. Operators who are part of the association of desludgers have lower costs and higher markups in the auctions. Members of the association pass through less of their transportation costs to the consumer and submit higher bids controlling for the garages to which they belong.

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