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TARGETING IMPACT VERSUS DEPRIVATION

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Targeting Impact versus Deprivation

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ABSTRACT

Targeting is a core element of anti-poverty program design, with benefits typically targeted to those most “deprived” in some sense (e.g., consumption, wealth). A large literature in economics examines how to best identify these households feasibly at scale, usually via proxy means tests (PMTs). We ask a different question, namely, whether targeting the most deprived has the greatest social welfare benefit: in particular, are the most deprived those with the largest treatment effects or do the “poorest of the poor” sometimes lack the circumstances and complementary inputs or skills to take full advantage of assistance? We explore this potential trade-off in the context of an NGO cash transfer program in Kenya, utilizing recent advances in machine learning (ML) methods (specifically, generalized random forests) to learn PMTs that target both a) deprivation and b) high conditional average treatment effects across several policy-relevant outcomes. We find that targeting solely on the basis of deprivation is generally not attractive in a social welfare sense, even when the social planner's preferences are highly redistributive. We show that a planner using simpler prediction models, based on OLS or less sophisticated ML approaches, could reach divergent conclusions. We discuss implications for the design of real-world anti-poverty programs at scale.

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1 Introduction

Targeting is a core element of anti-poverty program design in both poor and rich countries, with program benefits typically targeted to those households or individuals who are “deprived” in some sense, for instance, in terms of wealth, income, or living standards. There is a growing literature in development economics focused on how effectively one can identify such deprived households to target them with anti-poverty programming, via proxy means tests (PMT), community input, ordeal mechanisms, “big data”, and other approaches (see [Alatas et al., 2012](#); [Blumenstock et al., 2015](#); [Brown et al., 2018](#); [Hanna and Olken, 2018](#), among others).

Yet we know conceptually that targeting the most deprived is potentially only part of the problem facing a social planner or policymaker. Welfare-maximizing allocations of scarce resources should generally depend both on how poor people are to begin with and also on how much they would benefit from receiving additional assistance. As a mechanical example, targeting small business skills training to people who are unable (for any reason) to themselves run a business would not yield economic gains, and so would simply be a waste of resources. This basic point is analogous to issues that arise generically in many other policy contexts—whether, for example, to triage limited health care resources to the sickest patients or to those deemed most likely to recover. Its implication is that we can safely focus solely on targeting deprived households when treatment effect magnitudes are similar for everyone but not when they vary meaningfully.¹

This is not an idle concern, as there is growing evidence that the effects of some important interventions *do* vary meaningfully. Heterogeneous treatment effects are empirically important in the recent microcredit literature in development economics, for example ([Banerjee et al., 2015](#); [Meager, 2022](#))—perhaps because the “poorest of the poor” sometimes lack the circumstances or complementary inputs and skills to successfully invest their loans. Indeed, these barriers may be part of the reason they are poor to begin with. Similarly, [Bhattacharya and Dupas \(2012\)](#) show that the effects of a subsidy for purchasing insecticide-treated bed-nets vary predictably, and that one could meaningfully increase average effects on utilization by exploiting this variation. Such findings raise the question to what extent there is an impact/deprivation trade-off in targeting anti-poverty programs.

This tension is likely to be particularly relevant for cash transfers, an increasingly common form of anti-poverty programming (see [Baird et al., 2011](#); [Haushofer and Shapiro, 2016](#); [Bastagli et al., 2016](#), among many others). The intrinsic flexibility of cash means that

¹Other important political economy considerations regarding program targeting—influencing voting, for instance (see [Lindbeck and Weibull, 1987](#); [Manacorda et al., 2011](#))—are not our focus in this paper.

different households can use it in distinct ways, some of which policymakers and planners may prefer to others—targeting a high (or low) marginal propensity to consume, for example. Even household preferences that are homogenous but non-homothetic will mechanically lead to differential patterns of impact across poor and rich households. And different households may not face the same constraints, including both “internal constraints” in the form of behavioral biases, and external constraints such as credit market failures, which are thought to be pervasive in low- and middle-income countries. Factors such as these likely contribute to the substantial heterogeneity actually observed in the impacts of cash transfers (e.g., de Mel et al., 2008; Hussam et al., 2022).

This paper characterizes and quantifies the trade-off between targeting deprivation and impact in the context of a large-scale unconditional cash transfer program in rural Kenya. This setting, previously described in Egger et al. (2022) (henceforth, EHMNW), has several characteristics valuable for our purpose. The transfer program targeted a relatively large share (35%–40%) of households in treated villages using a simple PMT, allowing us to consider optimal targeting within an unusually large share of the population. Data collection covered a relatively large sample of 4,749 transfer-eligible households, allowing us to use data-intensive statistical techniques. And the timing of both treatment onset and outcome measurement was experimentally varied. As we discuss below, this allows us to account for dynamics in the analysis, rather than making the implausible assumption that household outcomes stay constant over time, which poverty-targeting analyses have often been forced to adopt (due to lack of data such as ours).

We proceed in two steps. We first predict for each household both its time-averaged treatment effect if treated, and its time-averaged deprivation if not. We do so using a common set of “PMT-like” baseline characteristics as predictors, so that the exercise holds constant the type of information typically available to real-world program designers. We use a machine learning approach to prediction, building on recent advances optimized specifically for the study of heterogeneous treatment effects, including Wager and Athey (2018), Chernozhukov et al. (2018), and especially the generalized random forest (GRF) estimator of Athey et al. (2019), as pre-specified on the AEA RCT Registry.² We then partition the population of eligible households into the 50% most vs. least deprived, and the 50% most vs. least impacted by the cash transfer program, and examine the overlap between these groups and the possible trade-offs between targeting their members.³ We apply this approach to a set of

²See <https://www.socialscisciregistry.org/trials/505> for more information.

³A two-step approach is necessary to examine the policy-relevant trade-off between deprivation and impact that is central to this paper. That said, a one-step analogue, as studied in the theoretical literature on Empirical Welfare Maximization (Manski, 2004; Kitagawa and Tetenov, 2018; Athey and Wager, 2021), might yield benefits in terms of statistical efficiency.

pre-specified financial outcomes—consumption expenditures, assets, and income—that are important objectives for development policymakers, as well as to measures of food security.⁴

We document a substantial trade-off between targeting for deprivation versus for impact. Taking household consumption as a leading example, those predicted to be in the most deprived half of the sample (the “*D* group”) if untreated do indeed have lower time-averaged per capita consumption (by 45%) than those predicted to be in the most impacted half (the “*I* group”). This difference would provide an initial rationale for targeting the most deprived. However, the time-averaged treatment effect on consumption is 64% larger in the most impacted half of the sample compared to the most deprived half. A similar trade-off holds for other outcomes, though the magnitudes differ somewhat, indicating that the trade-offs facing policymakers may also depend on the key outcome of interest.⁵

From the perspective of theories of poverty dynamics, several characteristics of the deprived and impacted groups are noteworthy. Household size is the most important predictor, by a wide margin, of both deprivation and impact, with larger households both benefiting more from treatment—echoing classic ideas of scale economies in household production (Nelson, 1988; Deaton and Paxson, 1998)—and faring better without it. This appears to be closely linked to life-cycle patterns, as households headed by middle-aged adults are more likely to be among the most impacted, while those headed by the young and the old are more likely to be deprived. Large treatment effects on financial outcomes do not come at the expense of leisure, or of side transfers or loans to other households, but are positively associated with having applied for a loan in the last year, suggesting a role for credit constraints. Finally, the same households tend to experience larger gains in all three of consumption, assets, and income, and correlations across these three effects are quite stable over time. Economically this suggests that heterogeneity in impacts may reflect differences in investment and market opportunities, broadly construed, more than differences in the propensity to save or invest per se.

In our capstone analysis, we examine which groups of households a planner with a given social welfare function would optimally select for cash transfers, and how this selection overlaps with conventional deprivation targeting. For a constant absolute risk aversion (CARA)

⁴As Sen (1999) articulated, choices of space like these are consequential; results might differ if we focused on equity and efficiency in some other space, e.g. of capabilities.

⁵For the pre-specified food security index we do find some evidence that more deprived households experience larger treatment effects, suggestive of a “hierarchy of needs” (as in Maslow, 1943). But this index—akin to those commonly used in development economics and based on survey responses regarding lack of food—appears to capture per capita rather than total household food consumption. This is problematic since all households received the same amount of money, so that per-capita effects will mechanically tend to be smaller in larger households. As shown below, if we simply examine total consumption of food instead, the patterns again indicate a trade-off between targeting for deprivation versus impact, consistent with trends for the financial outcomes.

utility function with parameter values in a conventional range ($\alpha \in [0, 0.015]$, which includes curvature equivalent to log utility), the planner consistently selects at least as many of the most impacted households as the most deprived. This holds across the main financial outcomes considered, and even for relatively strong preferences for redistribution. In other words, the conventional policy approach of targeting the most deprived households is not consistent with social welfare optimal targeting in our data.

One potential caveat to these results involves the role of spillover effects. EHMNW document a sizable transfer multiplier of 2.5 due to the cash transfer program in the study area. The mere existence of spillovers does not necessarily alter the interpretation of the main results: the conclusions would be the same if all households caused and experienced the same additive spillovers, for example (at least for CARA social welfare functions). But the interpretation would change to the extent the results capture *predictable* differences in which households *experience* larger spillover effects. In two auxiliary tests for this, using data on both cash transfer eligible and ineligible households and both within- and between-village exposure to treatment, our approach does not detect meaningful heterogeneity in the impact of spillovers. This may give a greater degree of confidence in the main results.

As a final methodological point of interest, we contrast results obtained using GRF to those obtained using a simple OLS regression—which, while not regularized, has been widely used in the past for prediction in targeting analyses—as well as LASSO, a classic and ubiquitous ML model (Tibshirani, 1996). Neither tool is explicitly designed for learning heterogeneous effects, but both can be adapted to do so. In our data both LASSO and OLS (but especially OLS) select groups that are somewhat more deprived than GRF, but also substantially less impacted, primarily because they mistakenly predict that these groups are far *more* impacted than they truly are. This suggests that it may be prudent to learn heterogeneous effects for targeting applications using recent methods such as GRF designed specifically for that purpose.⁶

An overall punchline is that the most deprived households should not always and necessarily be the *sole* focus of anti-poverty program targeting, although that is the norm in practice. The results indicate that there are important trade-offs for policymakers to consider. In this sense they echo, on a microeconomic scale, longstanding debates regarding potential trade-offs between equity and efficiency in the process of economic growth and development more generally (Alesina and Rodrik, 1994; Persson and Tabellini, 1994; Banerjee et al., 2002). They also parallel recent work by Björkegren et al. (2022) studying the dual of

⁶As we discuss below, the issue here appears to be analogous to that identified by Abadie et al. (2018), who document a bias in conventional approaches to studying impact heterogeneity towards *negative* estimates of the relationship between impact and untreated outcomes. In contrast, the GRF approach used here yields positive estimates.

the problem we study here, i.e. which policymaker preferences rationalize a *given* observed targeting rule; they infer preferences that value targeting both deprivation and impact.^{7,8}

That said, the findings in this study apply to one intervention in a single setting, and one program in isolation. Considering a *portfolio* of anti-poverty interventions, targeting one towards the most impacted may *strengthen* the case for targeting others towards the most deprived. For example, an optimal strategy might involve targeting cash transfers to those who benefit most from them (in terms of future income gains), while simultaneously working to remove for the most deprived the barriers that limit their ability to benefit from assistance. Doing so may be particularly important for socially marginalized groups (e.g., female headed households, migrants and members of ethnic or religious minorities) who may lack the same market opportunities as other households.

2 Conceptual framework

We study the problem of choosing which households h to receive treatment (e.g., program assistance) in order to maximize a social welfare function

$$\sum_h \sum_{t=0}^{\bar{t}} W(Y_{h,t}(T_h)). \quad (1)$$

Here $Y_{h,t}$ is a real-valued outcome of interest such as consumption, wealth, or food security, which potentially depends on the household’s assignment to receive treatment, indicated by $T_h \in \{0, 1\}$. For simplicity we will think for now of each household as having a single member, abstracting from variation in household size (which is introduced when we map the framework to the data in Section 4). The function $W : \mathbb{R} \rightarrow \mathbb{R}$ satisfies $W' > 0$ so that higher values of each household’s outcome are preferred, and $W'' \leq 0$ so that gains matter (weakly) more for households that are more deprived to begin with. We frame the problem as inherently dynamic: the planner chooses an allocation once, but also cares about well-being at other future times. The optimal allocation will generically depend on the full

⁷Another related, emerging literature in development economics examines the potential trade-off between deprivation and impact *across* alternative targeting paradigms. Premand and Schnitzer (2021) compare PMT targeting to alternatives in a cash transfer program in Niger and do not find evidence of a trade-off. Basurto et al. (2020) show that chiefs in Malawi tasked with assisting the needy tend to target productive farm inputs to households that have higher returns to their use, relative to the allocation achieved by a strict PMT approach.

⁸Other recent work examining heterogenous treatment effects of anti-poverty programs using ML methods includes McKenzie and Sansone (2019), who find limited additional benefits from using machine learning methods over and above the predictive power of a few key covariates in predicting entrepreneurial success in Nigeria; Hussam et al. (2022), who examine treatment effects forecasts obtained via machine learning as a benchmark for those elicited from community members; and Bertrand et al. (2021), who employ ML and other approaches to evaluate how to improve the targeting of workfare programs in Ivory Coast.

time paths of both $Y_{h,t}(1)$ and $Y_{h,t}(0)$, not just on untreated outcomes $Y_{h,0}(0)$ at the start of the program (as in PMT analyses based on a single baseline survey). We set a finite time horizon \bar{t} to reflect the fact that programs are typically re-targeted every few years, and given this abstract from time discounting (though this would be straightforward to incorporate).

Using potential outcomes notation allows us to rewrite this objective as

$$\sum_h \sum_{t=0}^{\bar{t}} W(Y_{h,t}(T_h)) = \sum_h \sum_{t=0}^{\bar{t}} W(Y_{h,t}^0 + T_h \cdot \Delta_{h,t}) \quad (2)$$

where $Y_{h,t}^{T_h} \equiv Y_{h,t}(T_h)$ and $\Delta_{h,t} \equiv Y_{h,t}^1 - Y_{h,t}^0$ is h 's treatment effect. This reformulation highlights the potential tension between two distinct objectives: targeting benefits to those *worst-off* absent the intervention (i.e. have the smallest $Y_{h,t}^0$'s), and targeting benefits to those who will be *most positively impacted* by the intervention (largest $\Delta_{h,t}$'s). These objectives are captured in a disciplined way here, in the sense that both are tightly linked through the function W ; W determines both the strength of preference for targeting deprived households, and also the extent to which large treatment effects are discounted due to diminishing marginal benefits.⁹

The criterion function (2), and in particular the variation in treatment effects, can be interpreted in two distinct ways. One is that W correctly represents households' preferences over their own outcomes, but that households face different opportunities and constraints. Some may possess investment opportunities that others lack, for example, so that they are able to increase their standard of living more after receiving treatment (a household cash transfer in our empirical application). In this case households might agree – from a vantage point behind a “veil of ignorance” in which they do not yet know their specific draw of $(Y_{h,t}, \Delta_{h,t})$ – that (2) is the appropriate objective of policy. Alternatively, W may represent the preferences of a paternalistic planner or policymaker, which differ from those of the households themselves. For example, households' time preferences may vary, and the policymaker may prefer that they make relatively “patient” choices.¹⁰ In this case, maximization of (2) would implement policymaker rather than household preferences.

We consider how to balance the objectives captured by (2) subject to information constraints facing a typical policymaker. Specifically, we suppose that she cannot observe $Y_{h,t}^0$ and $\Delta_{h,t}$ in the full population. This reflects the costs of gathering data on complex outcomes such as consumption, the fact that claims about these outcomes are hard to verify,

⁹One could extend the framework by incorporating ad hoc weights to capture other forms of distributive preference (e.g. for historically disadvantaged groups) without qualitatively altering the main ideas.

¹⁰Paternalism over others' time preferences seems to be common, as for example Ambuehl et al. (2021) document in the lab.

and (in the case of $\Delta_{h,t}$) the more fundamental issue that she can never directly observe a household’s counterfactual outcomes. Instead we suppose that she observes a set of baseline covariates $X_h \in \mathbf{X}$ in the full population, as well as the realized outcomes $Y_{h,t}(T_h)$ from an *experimental sub-sample* that is representative (possibly after re-weighting) with respect to both households h and time $t \in [0, \bar{t}]$. We think of X_h as representing the kinds of variables typically seen in proxy means tests used to target programs in low- and middle-income countries (LMICs), e.g. major assets, household size, number of children, sector of employment, etc. The planner uses these data to select a rule $r : \mathbf{X} \rightarrow \{0, 1\}$ determining assignment to treatment in the rest of the population, subject to any budget or enrollment constraints, for instance, that there is sufficient funding to treat a share ϕ of households in the population.

Data from this experimental sample enable the planner to consider targeting based on *predictions*:

$$\hat{Y}_t^0(X_h) \text{ of } \mathbb{E}[Y_{h,t}^0|X_h, t] \quad (3)$$

$$\hat{\Delta}_t(X_h) \text{ of } \mathbb{E}[Y_{h,t}^1 - Y_{h,t}^0|X_h, t] \quad (4)$$

obtained from these data. For example, an approach often used in practice is to target based on predictions of deprivation at time 0, using treatment rules of the form

$$r^D(X_h) = 1(\hat{Y}_0^0(X_h) \leq q_\phi^{\hat{Y}}) \quad (5)$$

where q_ϕ^Z denotes the ϕ ’th percentile of the empirical distribution of given variable Z . (The D superscript denotes “deprivation.”) A known limitation is that deprivation is not stable over time, so that it would be preferable if possible to target based on each household’s predicted time-averaged deprivation, i.e. $\hat{Y}^0(X_h) \equiv \sum_t \hat{Y}_t^0(X_h)$, an approach we will implement below.

The deeper issue is that targeting based solely on deprivation may miss the opportunity to target high-impact recipients, if treatment effects are not homogenous. The opposite approach would be to target the group predicted to be most impacted (denoted I) by treatment:

$$r^I(X_h) = 1(\hat{\Delta}(X_h) \geq q_{1-\phi}^{\hat{\Delta}}) \quad (6)$$

where predicted time-averaged impact is denoted by $\hat{\Delta}(X_h) \equiv \sum_t \hat{\Delta}_t(X_h)$. This policy is uncommon in practice, to our knowledge. Program evaluation studies increasingly examine it, though these are usually limited to examining treatment effects at a single point in time post-intervention. Generally speaking, targeting impact will tend to be appealing if Y_h^0 does not vary (much) relative to Δ_h or if the social welfare W is (nearly) linear in its argument.

Finally, the planner might make use of both predictions, ranking households by the incremental contributions to social welfare that treating them would induce given their predicted outcomes:

$$d\hat{W}(X_h) \equiv \sum_{t=0}^{\bar{t}} \left[W(\hat{Y}_t^0(X_h) + \hat{\Delta}_t(X_h)) - W(\hat{Y}_t^0(X_h)) \right] \quad (7)$$

$$r^*(X_h) \equiv 1(d\hat{W}_h \geq q_{1-\phi}^{d\hat{W}}) \quad (8)$$

This rule r^* strikes a balance between targeting deprivation and impact, with the terms of the tradeoff governed by the curvature of W . Below we will explore this tradeoff quantitatively by examining the joint distribution of $(\hat{Y}^0(X_h), \hat{\Delta}(X_h))$ and how the particular households h selected for treatment vary depending on W .¹¹ Dynamics may be important if the joint distribution changes over time: for instance, if the most deprived consume most of the transfer initially, while the less-deprived invest more and consume more later.

3 Study design

We study targeting in the context of a large-scale experimental evaluation of unconditional cash transfers to low-income rural Kenyan households, previously examined by EHMNW. That paper provides details on the setting and design which we briefly summarize here.

3.1 Setting: rural western Kenya

The project took place in three contiguous subcounties of Siaya County, a largely rural area in western Kenya, which the NGO GiveDirectly (GD) had selected based on its high poverty levels (Figure A.1). Within this area, GD selected rural (i.e., not peri-urban) villages in which it had not previously worked. This yielded a final sample of 653 villages spread across 84 sublocations (the administrative unit above a village). The mean village consists of 100 households, and at baseline, the average household had 4.3 members, of which 2.3 were children. The average survey respondent was 48 years old and had about 6 years of schooling. 97% of households were engaged in agriculture; at endline, 49% of households in control villages were also engaged in wage work and 48% in self-employment. Transfers and data collection took place from mid-2014 to early 2017, a period of steady economic growth, relative prosperity, and political stability in Kenya.

¹¹In contrast, the Empirical Welfare Maximization literature (Manski, 2004; Kitagawa and Tetenov, 2018; Athey and Wager, 2021) focuses on predicting $W(Y(T, X))$ using X directly, yielding predictions $\hat{W}_h(T_h)$, and then selecting for treatment observations with high values of $\hat{W}_h(1) - \hat{W}_h(0)$. This approach yields useful guarantees about the asymptotic performance of the targeting rule, but obscures the policy relevant tradeoff between impact and deprivation that we wish to draw out here.

3.2 Intervention

The enrollment of households was relatively inclusive. GD defined as eligible all households that lived in homes with thatched (as opposed to metal) roofs. GD then enrolled all households that met this criterion in villages assigned to treatment. Based on our household census data (described below), 35%-40% of households were eligible. This is far more inclusive than existing public programs in the area, which reached 1.3% of individuals and 6.5% of households in Siaya at the time.¹² That said, the results (described below) may still understate the potential to boost social welfare by targeting even less deprived households.

Eligible households received transfers totaling KES 87,000, or USD 1,871 PPP (USD 1,000 nominal), which constitutes 75 percent of mean annual household expenditure. All transfers were delivered via the mobile money system M-Pesa, and households selected the member they wished to receive them. Transfers were delivered in a series of three tranches: a token transfer of KES 7,000 (USD 151 PPP) sent once a majority of eligible households within the village had completed the enrollment process, followed two months later by the first large installment of KES 40,000 (USD 860 PPP). Six months later (and eight months after the token transfer), the second and final large installment of KES 40,000 was sent. Beyond this point transfers were non-recurring, i.e., no additional financial assistance was provided to recipient households after their third and final installment, and they were informed of this up front. Households in control villages did not receive transfers.

3.3 Experimental design and data

The study employed a two-level randomization design. First, we randomly assigned sublocations (or in some cases, groups of sublocations) to high or low saturation status, resulting in 33 high- and 35 low-saturation groups. Within high (low) saturation groups, we then randomly assigned two-thirds (one-third) of villages to treatment. Randomization was well-balanced with respect to an array of household demographic and economic characteristics (see Table A.1 and EHMNW).

We first conducted a baseline household census in all villages, which serves as a sampling frame and classifies household eligibility status. The census was designed to mimic GD's censusing procedure but was conducted by independent (non-GD) enumerators across both treatment and control villages for consistency. The census identified 65,383 households with a total baseline population of 280,000 people in study villages.

Within one to two months after the census, and before the distribution of any transfers to each village, we conducted baseline household surveys. These targeted a representative

¹²Data provided by GiveDirectly, originally from the Government of Kenya's Single Registry for Social Protection.

sample of eight households eligible to receive a transfer and four ineligible households per village. When households contained a married or cohabiting couple, we randomly selected one of the partners as the target survey respondent. We conducted a total of 7,848 baseline household surveys between September 2014 and August 2015, of which 5,123 (66%) were of eligible and 2,722 (34%) of ineligible households, in line with the sampling targets.

We later conducted endline household surveys, targeting all households that had been surveyed at baseline, as well as those that were sampled but missed at baseline, and we attempted to survey the individual who was the baseline respondent. We conducted a total of 8,239 endline household surveys between May 2016 and June 2017, of which 5,423 (66%) were of eligible and 2,816 (34%) of ineligible households. We achieved high respondent tracking rates at endline, reaching over 90% of households in both treatment and control villages, and these rates do not systematically vary by treatment status (Table A.2).¹³

One valuable property of the endline surveys is that they were conducted over a wide and randomly-assigned range of times relative to the timing of transfers. Specifically, all villages in the study were assigned an “experimental start month” when GD transfers were scheduled to begin if that village were assigned to treatment, and endline surveys were then timed between 9 and 31 months after this date, with the difference also experimentally assigned. Figure A.2 illustrates the resulting distribution of time elapsed between the date when a given shilling was transferred to a household and the date that household’s endline survey was conducted. The mode is roughly 13 months, but with substantial mass at both higher values and near a zero time lag (i.e., the household was surveyed in the same month as the final transfer). The data are thus informative about predicted deprivation and impact over a relatively wide range of time horizons post-transfer—certainly as compared to PMT exercises that uses covariates to predict contemporaneous deprivation, i.e. with no lag. As we discuss below, the design of the dataset will allow us to learn predictive models as a function of time since transfer as well as household covariates.

For the purposes of this paper, we focus primarily on eligible households that were surveyed at both baseline and endline, as we observe them under either treated or control conditions (at endline) and can use baseline values of household characteristics to predict both deprivation and impact. We also require households to have non-missing endline outcome data and baseline covariates.¹⁴ These inclusion conditions yield an analysis sample of 4,749 *eligible*

¹³In addition to household surveys, the study also collected surveys of enterprises, market prices, and local government. EHMNW and Walker (2018) discuss these data and present additional results.

¹⁴Specifically, we exclude households for which more than 7 baseline covariates were missing (which only drops 3 observations). The Generalized Random Forest (GRF) statistical package (discussed below) handles missing covariate values by considering the missing status itself as a potential split on that variable, allowing missing values to be informative.

households. Relative to ineligible households, we note (as expected) that eligible households tend to have lower income and net assets on average, but also that there is substantial overlap between the distributions of economic outcomes in the two groups (Figure A.3). Data on the eligible households thus allow us to examine the relationship between deprivation and impact over a relatively wide range of economic conditions, including both among the very deprived as well as relatively well-off households in these communities.

We use baseline data on a set of 16 covariates (the vector X_h in the framework above) to predict endline outcomes. We selected variables that we found in other real-world proxy means tests used to target social protection problems and that exhibit meaningful variation in our data. The resulting list includes demographic measures (e.g., household size, indicators for children of various ages) and economic measures (e.g., ownership of major assets, employment status); Appendix B.1 provides the full list.¹⁵

We focus on four pre-specified outcomes at endline, including core household financial outcomes (namely, consumption expenditure, assets, and income) as well as an index of food security. Details of the construction of these aggregates are provided in Appendix B, and in a pre-analysis plan (PAP) that was written specifically for the targeting analysis that is the focus of this paper and that is posted on the AEA RCT Registry (at <https://www.socialscisceregistry.org/trials/505>). In the main analysis, we predict versions of these outcomes demeaned by the month in which the survey was conducted, in order to remove any effects due purely to correlation between predictors and survey timing, and then add back in the overall mean to all observations for interpretability. Demeaning by survey month is important since some households are easier to contact than others, potentially resulting in baseline characteristics being predictive of survey timing even though timing at the village level was randomized.

The three financial outcomes—consumption expenditure, income, and assets—are defined at the household level, the same level at which treatment was assigned, so that they correctly capture the total effects of treatment as opposed to their per-capita analogues (which would under-weight impacts on individuals living in large households). Recall that cash transfers of the same magnitude were provided to all treatment households regardless of the number of members. Taken together, these outcomes form a natural constellation given their connection via the household’s budget constraint, and studying them in tandem allows us to relate the results to canonical dynamic models of consumption and investment. For example, if households vary in their marginal propensity to consume (MPC) as opposed to investing out

¹⁵As discussed in detail in the Appendix, we select predictors by hand rather than using the specific data-driven approach we had originally pre-specified, as the latter was not well-defined and creates issues for inference. That said, the main results are all qualitatively robust to using a data-driven approach instead.

of a transfer, then we would expect to see negative covariation between *initial* treatment impacts on consumption and accumulated assets. Over time, however, the households that invested more should realize higher levels of income, consumption, and assets. This effect would be especially strong if their higher levels of initial investment were in part the result of higher-return investment *opportunities*, as in this case differences in behavior and differences in returns would be mutually reinforcing.

Food security is an important public policy objective for many transfer programs (though these are usually structured as streams of small payments, as opposed the lump sum transfers studied here). It is also theoretically interesting as a case in which we might expect *a priori* to observe a relatively weak tradeoff between targeting on deprivation versus impact, given that the households most likely to spend on better nutrition are often those not eating enough (see for example [Subramanian and Deaton, 1996](#)). Unlike the total household financial outcomes noted above, the index of food security we use is arguably best interpreted as a *per capita* measure: typical constituent questions ask how many days (out of the past 7) family members experienced a negative outcome such as skipping meals, a quantity we would not expect to scale mechanically with household size (as for example total household food consumption would). Indeed, we will show below that results for the food security index parallel those for per capita food consumption, and that these both differ from results using total household food consumption.

3.4 Existing results

EHMNW report the overall average impacts of the GD program on recipient households, estimating positive ITT effects on each of the four outcomes we consider here, among others. They also find large spillovers onto untreated households, for example, substantial expenditure increases for non-recipient households and higher enterprise revenue in areas that received more cash transfers. Using these and related estimates, they derive the implied multiplier effect on overall local economic activity, estimating a transfer multiplier of 2.5.

Given these spillover results, the analysis that follows should be interpreted as examining variation in *who* is selected for treatment, holding fixed the total *number* of local households treated. Spillover effects do not alter this analysis to the extent that they are approximately additive and invariant to the identity of the original transfer recipient. We cannot readily estimate the extent to which different kinds of households *generate* different spillovers; this would require an experiment even larger than our (already very large) one. We can, however, use several complementary strategies to assess the extent to which different kinds of households are *affected* differently by spillovers; we return to this issue below.

With respect to heterogeneity of treatment effects, EHMNW take the conventional ap-

proach of testing across a pre-specified, researcher-selected set of covariates (including, for example, respondent gender, age, marital status, and educational attainment, among others). They generally fail to reject homogeneity of treatment effects along these dimensions but are only moderately powered to detect effects (Figure A.4, reproduced from EHMNW). We therefore turn next to examining data-driven ML approaches to identifying features of the baseline data that (potentially) predict deprivation and impact.

4 Empirical methods

This section describes the empirical methods used to operationalize the ideas outlined in the conceptual framework. Broadly speaking, the approach is to (i) predict (per capita) outcomes absent treatment, and treatment effects, for each household as a function of its baseline covariates (X_h) and time since treatment t ; (ii) integrate over t to obtain time-averaged predictions; and then (iii) classify households into groups based on whether they are or are not among the most deprived or most impacted households according to these predictions; and then (iv) measure deprivation and impact within the extremal groups selected by this procedure using simple OLS estimators. We discuss among other things the approach to regularization and to inference. The analysis follows a pre-analysis plan specific to this targeting analysis, submitted to the AEA registry on 1 September 2017, prior to the estimation of treatment effects for these outcomes.¹⁶

Because the outcomes in the data are measured at the household and not the individual level, the analysis needs to account for variation in household size. Generalizing Equation 2 by interpreting Y_h as a household aggregate, denoting by n_h the size of household h , and weighting all household members equally, the planner’s objective function is

$$\sum_h \sum_{t=0}^{\bar{t}} n_h W(Y_{h,t}(T_h)/n_h) = \sum_h \sum_{t=0}^{\bar{t}} n_h W(Y_{h,t}^0/n_h + T_h \cdot \Delta_{h,t}/n_h) \quad (9)$$

Note that in this empirical setting the size of the transfers (and thus the cost of treatment) are the same irrespective of household size. We would therefore expect per capita treatment effects to be mechanically smaller in larger households, but this does not mean that they are less attractive to target. Indeed the precise details of optimal targeting here depend on the interplay of the distribution of $(n_h, Y_{h,t}^0, \Delta_{h,t})$ with the curvature of W , something that is captured in the welfare analysis. That said, the planner generally prefers to target households with large *absolute* treatment effects $\Delta_{h,t}$ and with low *per capita* outcomes absent treatment

¹⁶See <https://www.socialscisceregistry.org/trials/505>.

Algorithm 1: Select most-deprived and most-impacted groups

Split data into set \mathcal{K} of folds;
foreach $K \in \mathcal{K}$ **do**
 Training data $K' \leftarrow \mathcal{K} \setminus K$ *other* folds ;
 $\{\hat{y}^{0,K} : \{\mathbf{X}, T\} \rightarrow \mathbb{R}\} \leftarrow$ predictor of $y_{h,t}^0$ learned from training data K' ;
 $\hat{y}_h^{0,K} \leftarrow \frac{1}{\bar{t}} \sum_{t=0}^{\bar{t}} \hat{y}^{0,K}(X_h, t)$, i.e. integrate over time;
 Classify observations in bottom 50% of $\{\hat{y}_h^{0,K}\}$, $h \in K$, as most deprived (D);
 $\{\hat{\Delta}^K : \{\mathbf{X}, T\} \rightarrow \mathbb{R}\} \leftarrow$ predictor of $\Delta_{h,t}$ learned from training data K' ;
 $\{\hat{\Delta}_h^K \leftarrow \frac{1}{\bar{t}} \sum_{t=0}^{\bar{t}} \hat{\Delta}^K(X_h, t)$, i.e. integrate over time;
 Classify observations in top 50% of $\{\hat{\Delta}_h^K\}$, $h \in K$, as most impacted (I);
end

(denoted henceforth by $y_{h,t}^0 \equiv Y_{h,t}^0/n_h$).¹⁷ We therefore begin the analysis by identifying the households predicted to be most deprived on a per capita basis, and those most impacted on an absolute basis.¹⁸

At the core of this approach is the classification procedure summarized in Algorithm 1. The procedure classifies every household in the dataset as either in or out of the set of households that would be most deprived absent treatment, and in or out of the set that would be most impacted by treatment.¹⁹ This procedure aims to reduce the risk of over-fitting by classifying each observation h into groups without making any use of its own outcome $Y_{h,t}$; h is instead classified using a function learned only from folds of the data that do not include it. We set $K = 5$, and (to ensure results are not sensitive to the specific split into K folds) then repeat the entire procedure 150 times and report mean outcomes across these iterations.²⁰

Predictions are formed by learning the regression function $\mathbb{E}[y_{h,t}^0 | X_h, t]$ through random forests and the conditional average treatment effect (CATE) function $\mathbb{E}[Y_{h,t}^1 - Y_{h,t}^0 | X_h, t]$

¹⁷To see this, note that for small treatment effects welfare is well-approximated by the first-order expansion

$$\sum_h \sum_{t=0}^{\bar{t}} n_h W(y_{h,t}^0) + \sum_h \sum_{t=0}^{\bar{t}} W'(y_{h,t}^0) \cdot [\Delta_{h,t} \cdot T_h] \quad (10)$$

so that the incremental benefit at time t of treating h is approximately $W'(y_{h,t}^0) \cdot \Delta_{h,t}$.

¹⁸We abstract from issues of intra-household inequality, which the data do not let us examine.

¹⁹In practice we learn models for endline per capita values using the full dataset (i.e., including both treated and control individuals) while including an indicator for treatment status among the predictors. Results are similar if the model is trained on control group data only (Tables D.5, D.6, and D.7).

²⁰Most deprived and most impacted thresholds are defined for each fold using only their predictions to avoid overfitting concerns since these are not trained using that fold's data. Therefore, a higher number of folds leads to fewer data points being used to define these thresholds. On the other hand, a lower number of folds leads to fewer data points being used to train each random forest. Given our sample size, 5 folds leads to reasonable subsample sizes for each of these steps. Note also that while we use common splits to learn \hat{y}^0 and $\hat{\Delta}$, we obtain essentially identical results if we use separate splits.

through causal forests, using the generalized random forests (GRF) package of [Athey et al. \(2019\)](#). We pre-specified an approach based on random forests as these are an attractive tool for uncovering heterogeneity in this setting.²¹ Specifically, the dimensionality of our predictors is low relative to the number of observations and we do not see strong evidence of heterogeneity along dimensions that we (originally) thought might matter. Random forests are particularly well-suited for dealing with such non-sparse settings, and can account for complex non-linearities and interactions between the predictors.

At the same time, using a regularized method is important in an optimal targeting context to mitigate the risk of over-fitting. Naive methods—based for example on OLS—might claim to identify very deprived households or those with large treatment effects, leading to overstated estimates of the overall anti-poverty impact of a program or to mis-estimation of the tradeoff between deprivation and impact. Regularized methods such as random forests help to address this risk.²² We report forest-based results as our preferred estimates, and also benchmark these against results using OLS and alternative ML estimators in Section 5.6.

To calculate time-averaged predictions we first learn predictive models using the number of months t since the “experimental start month” in each village as a predictor. For each observed value of X_h , we then evaluate these models at 7 quarterly intervals, i.e. over a total range of 21 months. Finally, we take an unweighted average of these predictions to obtain time-averaged predictions.

Given a classification of the sample into groups $S = D, I$, we define the following measures of performance. The **predicted averages** are the within-group means of GRF predicted values:

$$\bar{y}^0(S) = \frac{1}{|S|} \sum_{h \in S} \hat{y}^0(X_h) \quad \bar{\Delta}(S) = \frac{1}{|S|} \sum_{h \in S} \hat{\Delta}(X_h) \quad (11)$$

These may or may not be consistent for the results a policymaker would actually obtain by targeting group S . While our procedure guards against over-fitting in forming predictions \hat{Y}_h^0/n_h and $\hat{\Delta}_h$ for *individual* households, targeting requires us to take the additional step of

²¹The pre-analysis plan specified that we would implement the causal forests approach of [Wager and Athey \(2018\)](#) or methods that improved on it, if any were available by the time data were collected. We therefore implement [Athey et al. \(2019\)](#) which generalizes and extends [Wager and Athey \(2018\)](#). In parallel [Chernozhukov et al. \(2018\)](#) developed attractive methods for learning average treatment effects and characterizing units within *quantiles* of the treatment effect distribution; for our purpose here, however, we require the unit-level predictions that GRF provides.

²²The GRF package in particular uses cross-fitting and an “honest” approach to growing trees to control over-fitting, and we add to this by classifying each observation without using data from its own fold. Random forests do require some tuning and, unlike for other ML procedures such as LASSO, optimal regularization procedures are not available. We selected tuning parameters from among two options: the GRF package defaults, and an alternative set suggested by one of the authors of the package as a way to provide stronger regularization (see <https://github.com/grf-labs/grf/issues/120#issuecomment-327276697>, accessed 31 August 2021). We use the latter as it provides a closer match between predicted and actual statistics.

selecting groups of households based on these predictions. This introduces the additional risk of a “winner’s curse.” To the extent there is even non-systematic error in the predictions, we will tend to select observations with extreme values of this error. For example, we will tend to classify households with high values of $Y_h^0 - \hat{Y}_h^0$ as deprived, and thus to over-estimate how deprived the most deprived group is.

To address this issue, we also calculate a separate set of **actual averages** which are simply group means (for y^0) or group average treatment effects (for Δ) estimated via OLS:

$$\bar{y}^0(S) = \frac{1}{|S|} \sum_{h \in S} y_h^0 \quad \bar{\Delta}(S) = \frac{2}{|S|} \sum_{h \in S} (Y_h^1 T_h - Y_h^0 (1 - T_h)) \quad (12)$$

This approach uses predictions of deprivation $\bar{y}^0(S)$ and impact $\bar{\Delta}(S)$ only to select groups, not to estimate outcomes within those groups. We interpret the comparison between predicted and actual averages as a measure of how successfully our approach predicts results in these groups, where smaller gaps are indicative of better performance.

We employ three distinct approaches to inference. First, for key statistics we report bootstrapped confidence intervals. These have the advantage that they can be asymmetric, reflecting the potential asymmetry involved in selecting maximal elements from a set of statistics.²³ Second, we follow [Chernozhukov et al. \(2018\)](#) by reporting the confidence intervals implied by the median standard error for actual averages as defined above and estimated via linear regression. Conditional on the group definitions for D , I , the control means and CATEs for these groups are asymptotically normal. Moreover, by reporting the median standard error across the 150 iterations we are accounting for the variation that results from the k-fold cross-fitting procedure. Nevertheless, because the asymptotic properties of this approach follow from conditioning on the group definitions for D , I these standard errors do not account for the fact that these groups are selected endogenously using the data. Therefore the bootstrapped CIs are our preferred inference approach for the actual statistics. Third, to test the sharp null of *no* heterogeneity in treatment effects we use randomization inference. Specifically, we calculate via re-randomization (clustered at the village level, as in the original design) the probability of observing statistics as extreme as those we see under the null of a constant treatment effect. Following [Ding et al. \(2016\)](#), we consider a range of values for this constant effect, centered at the empirical estimate of the average treatment effect, and report the maximal p -value we observe in that range. We interpret this test not

²³GRF provides asymptotic inference for individual predictions \hat{y}_h^0 and $\hat{\Delta}_h$ but not for their joint distribution, so approaches like that proposed by [Andrews et al. \(2021\)](#) are not available. Due to computational limitations we only compute the bootstrapped CIs for our main results. Note that in some robustness checks the point estimate of the statistic of interest lies outside the bootstrapped CI, which can occur when the estimator is biased even if consistent ([Karlsson, 2009](#)).

as a guide to optimal policy-making (which should exploit all information in the data) but as a diagnostic to assess whether the observed values of the statistics of the groups defined through machine learning (D, I) are consistent with a null of no heterogeneity. This helps ameliorate concerns about whether differences in means across these groups are a result of over-fitting (in a setting of no heterogeneity but high outcome variance).

Diagnostics suggest that our procedure, and in particular the repeated 5-fold splitting, produces fairly stable results. Figure A.5 shows, for example, that the mean differences between treatment effects in the most deprived and most impacted groups remain more or less constant if we increase the number of splits from 150 to 300.²⁴ Figure A.6 shows that the classification of households into most deprived and most impacted groups are also quite stable, with most households assigned fairly consistently to either one or the other group.

5 Results

We next present results, beginning in Section 5.1 with estimates of time-integrated average deprivation and impact for financial outcomes in the groups we identify as most deprived and most impacted. These estimates quantify the tradeoff (if any) between policies that target benefits *solely* on deprivation and on impact. We consider economic implications of these results in Section 5.2, examining what the joint distribution of treatment effects for different outcomes and the importance of different predictors suggest about the underlying forms of heterogeneity that drive our results. We then move in Section 5.3 to examining quantitatively how a policymaker would trade off deprivation and impact in our sample given a social welfare function with a particular curvature. We then turn to the case of food security in Section 5.4, and examine potential spillover effects in Section 5.5. Finally, Section 5.6 examines the performance of alternative statistical methods for learning deprivation and impact.

5.1 Deprivation versus impact

We begin with levels of deprivation, summarized in Table 1. We first note that actual outcomes (on which we focus) line up closely with those predicted by our model. Examining results for the most deprived group (Column 2), we see that actual averages are similar to and in fact consistently slightly *lower* than predicted averages. This suggests that our regularization and cross-fitting procedures are effective at mitigating over-fitting and “winner’s curse” effects, which would tend to lead to over-optimistic predictions about the levels of deprivation we can identify.

²⁴We still report results for 150 splits, however, because we also need to do randomization inference and/or bootstrapping on these which is computationally costly at 150 splits and would be yet more so at 300.

Next, and consistent with the long tradition of work on targeting social programs to the most deprived using proxy means tests, the model identifies groups that are substantially poorer than average. For all three outcomes the average outcome among the most deprived (Column 2) is substantially lower than the overall average (Column 1) — by 31%, 75%, and 43% for per capita consumption, assets, and income, respectively. Evidently the predictors contain enough information to identify a sub-population substantially more deprived than average, even among a population that has *already* been selected to be poorer than average using GD’s coarser targeting criterion.

Targeting the most impacted, on the other hand, comes at a substantial cost in terms of targeting deprivation. Column 3 reports endline values in the absence of treatment for the group identified by the model as most impacted by treatment. In contrast to the most deprived group, the most impacted group is actually *better-off* than average for each outcome. Relative to the overall sample mean, their levels of per capita consumption, assets, and income are higher by 25%, 58%, and 9%, respectively. As a result, the differences in deprivation between the most deprived and most impacted groups are also large (Column 4). Targeting the most impacted would thus mean targeting substantially less deprived households. Yet how much this matters for welfare would depend on the social preferences of the planner (to which we will return shortly in Section 5.3).

The key question is then whether there are compensating gains in impact. We examine this in Table 2. We first examine treatment effects on the most deprived. For financial outcomes, impacts for this group (Column 2) are consistently below the overall average treatment effect (Column 1). In contrast, outcomes for the most impacted are (as expected) consistently *above* average (Column 3). The net result is that targeting the most impacted as opposed to the most deprived yields substantial gains in treatment effect—equal to 51%, 19%, and 18% of the overall average treatment effect for consumption, assets, and income, respectively (Column 4). Considering these results alongside those in Table 1, we observe a meaningful trade-off between targeting deprivation and targeting impact.

Visualizing the joint distribution of predicted deprivation (absent treatment) and predicted treatment effects can help reveal the patterns driving these results. Panels A-C of Figure 1 present these distributions along with locally smoothed regression fits (Figure A.7 presents the corresponding joint CDFs). We color-code each observation to indicate into which of four groups it falls, based on whether or not it is classified among the most-deprived (low values of \hat{y}^0) and among the most-impacted (high values of $\hat{\Delta}$). Observations in the upper-left quadrant are those that are both most impacted and most deprived, and thus targeted under either criterion. Those in the lower-right quadrant are targeted under neither criterion, while those in the upper-right and lower-left quadrants are those on which the two criteria

disagree.

One noticeable feature of the distributions for all three outcomes is that there is substantial variation in predicted impact *conditional* on predicted deprivation, and vice versa. Even absent any *systematic* relationship between impact and deprivation, this variation creates a trade-off between the two: some households happen to be high-impact and low-deprivation, while others happen to be low-impact and high-deprivation, and the planner must prioritize between these.

There is also some evidence of systematic covariation between deprivation and impact, particularly for consumption and assets. Here the slope of the non-parametric fit is positive, indicating that less-deprived households also tend to see larger gains when treated. This helps to explain the trade-off observed between group averages in Tables 1 and 2. Income displays a slight positive relationship over most of its range, albeit more muted. Panels D, E and F show that these relationships are stable over time, plotting local regression fits as in the top panels but broken down by quarter. Treatment effects fall somewhat *on average* over time, but are consistently positively correlated with untreated outcomes, implying a persistent tradeoff between deprivation and impact.

Note that this pattern is the opposite of what one would expect if the algorithm were over-fitting variation in the data that resulted from classical measurement error, or mere sampling variation. In those scenarios, types of households that happen by chance to have low (high) reported values when untreated would be predicted to be both more deprived and more impacted (less deprived and less impacted). To further investigate the potential influence of measurement error, we also examine results for a subset of assets that would have been observable to our enumerators as they conducted surveys—such as solar panels or large pieces of furniture, for example—and are thus likely measured with less error. We obtain qualitatively similar results using this subset (Table A.3).

5.2 Economic interpretation

The results above are of natural interest from the point of view of theories of poverty dynamics, as any such theory will yield predictions, implicitly or explicitly, about the joint distribution of deprivation and impact. We next summarize five descriptive facts that appear particularly relevant for thinking about this mapping.

First, household size is, by a wide margin, the most important predictor of *both* deprivation and impact. We can see this in Table 3, which summarizes the predictive importance of each of the 16 elements of X_h . We measure importance here (as does the GRF package) as a

depth-weighted average of the share of splits created in the process of growing trees.²⁵ A value of 0.05 for “female head,” for example, means that when growing trees the algorithm chose to split on whether or not the household had a female head in 5% of cases. Numbers in parentheses indicate the rank of each predictor’s importance within that column, and the signs indicate whether it predicts the outcome positively or negatively. The three most important predictors in each column are indicated in bold. In all six cases household size is ordinaly the most important, and cardinally far more so than the next-most-important predictor.

This pattern is not mechanical. Transfers are fixed irrespective of household size, so there is no a priori reason to expect larger effects in larger households. As for deprivation, household size is in the *denominator* of y_h^0 by construction, so that any measurement error will tend to induce a negative relationship—yet larger households still have noticeably higher per-capita values. These patterns call to mind the classic idea of scale economies in household production (Nelson, 1988; Deaton and Paxson, 1998), or of risk diversification, as households with more members may be better able to spare one to undertake risky, higher-return ventures. Consistent with this idea, the most impacted households have substantially more working-age adult members than do the most deprived across all primary outcomes (Figure A.8, Panel (a)).²⁶

Second, the tradeoff between deprivation and impact appears to be related to life-cycle dynamics. One clue to this is in Table 3, where the second-most important predictor of deprivation is “having an elderly member.” For a more thorough examination, Panel (b) of Figure A.8 plots the distribution of the age of the household head separately for each group. The most deprived are disproportionately likely to be *either* young or old, while the most impacted are more likely to be either young or middle-aged adults. The issues of how much to emphasize targeting deprivation as opposed to impact is thus related to the issue of what stage in the life-cycle to target (calling to mind, for example, debates about whether to allocate social protection resources to parents of young children or to the elderly via old-age pensions).

Third, larger impacts on financial outcomes do not appear to come at an opportunity cost

²⁵The formula is

$$\text{Importance}(x_j) = \frac{\sum_{k=1}^4 \left[\frac{\sum_{\text{all trees}} \text{number depth } k \text{ splits on } x_j}{\sum_{\text{all trees}} \text{total number depth } k \text{ splits}} \right]}{\sum_{k=1}^4 k^{-2}} \quad (13)$$

Note that this metric sums to 1 across all covariates in the model.

²⁶In an interesting contrast, land ownership is *not* a strong predictor of deprivation or impact. This is partly because it simply does not vary greatly (with 85% of households owning land), but likely also because—unlike in some other agrarian settings—non-land holders in our context are likely to be profitably engaged in commerce or non-agricultural employment as opposed to working on other people’s farms.

on other, less-salient margins. In particular, one might worry that high-impact households simply decrease their leisure hours more, or reduce their (net) transfers to other households more, to achieve these gains. Tables A.4, A.5, and A.6 report differences in treatment effects (and baseline values) for these outcomes, as well as many others, between the most deprived and most impacted groups. Whether classifying households based on consumption, income, or assets, we see no significant differences in transfers sent or loans given. (If anything the most impacted households see a modest increase in transfers *received*, which seems more consistent with crowding-in resources in response to new market opportunities.) Impacts on hours worked are similarly not significantly different, and in two out of three cases the difference is actually negative.

Fourth, there is some suggestive evidence that credit constraints play a role. The most impacted households are also *both* more likely to have received a loan and more likely to have been denied a loan in the last 12 months, which would be consistent with greater demand for credit and credit constraints for this group at baseline (Tables A.4–A.6). Along with the household size results, this pattern seems broadly consistent with the idea that some households are better situated to take advantage of the new opportunities that transfers afford.

Fifth, and related, the *same* households tend to see larger effects on all three financial outcomes (consumption, income, and assets). Figure 2 illustrates this, presenting the marginal densities of predicted treatment effects on each outcome (top row) followed by scatterplots of the pairwise joint distributions of effects on two outcomes at a time (middle row), with correlation coefficients indicated. We see that predicted treatment effects on any one outcome are very strongly correlated ($\rho \in [0.65, 0.79]$) with those on either of the other two. In part this is of course a necessary consequence of the fact that household size is such a strong, common predictor of impacts on all three outcomes.

It is natural to interpret this pattern through the lens of standard consumption-savings frameworks. To the extent households differ either in their initial propensity to invest, or in the returns they make on those investments, we would expect to see positive covariation between all three financial outcomes emerge over time. One key difference between these two mechanisms, however, is in what happens in the early days immediately after transfer receipt. If differences in the margin propensity to invest were the main driver, we would expect to see much a much more negative relationship between consumption and assets in those early days and months. In the data, however, the pattern is if anything the opposite: the correlation between effects is quite flat over time, and if anything slightly higher in earlier quarters (Figure 2, bottom row). This suggests that differences in the returns households

realize is the more important source of heterogeneity.²⁷

Each of these facts is of course purely descriptive, and individually they do not fully pin down any particular theory of poverty dynamics. Collectively, though, they provide a rich set of facts for economic theory to target.

5.3 Optimal policy under concave social welfare functions

The predicted levels of deprivation and treatment effects examined in Section 5.1 define the possibilities facing a social planner deciding whom to target. To see exactly what they imply for optimal policy, however, we need to translate variation in *levels* of deprivation in Table 1 into variation in the *marginal* social value of a unit increase in the outcome, i.e. of a given treatment effect.

To do this, we now make concrete the notion of social welfare discussed in Section 2, characterizing the households the planner would choose to treat given a specific social welfare function W . We work in particular with the constant absolute risk aversion (CARA) function

$$W(\hat{y}) = \begin{cases} (1 - e^{-\alpha\hat{y}})/\alpha & \alpha \neq 0 \\ \hat{y} & \alpha = 0 \end{cases} \quad (14)$$

which is commonly used in applied work.^{28,29}

Interpreting W as a private utility function which the planner sums over agents, α is a private preference parameter that represents those agents' risk preferences, and we can draw on existing estimates of it. Estimates are available from a setting close to ours, the Busara Center lab in Nairobi, where Balakrishnan et al. (2020) estimate average values of

²⁷Another way to see this is to examine the relationship between deprivation (which one might expect to predict immediate consumption of transfers) and impact for households surveyed fewer vs. more months after transfer receipt. When we do this we see a similar, positive relationship between treatment effects and untreated outcomes for both groups, with the relationship if anything slightly stronger among those surveyed closer to the date of transfer receipt (Figure A.9).

²⁸CARA preferences are one of three representations we pre-specified, along with Constant Relative Risk Aversion (CRRA) preferences and the inequality-averse preferences of Fehr and Schmidt (1999). We prefer results for CARA preferences because in a small minority of cases the predicted per-capita outcomes from our model are negative, and CARA allows us to include these observations (which would be undefined for CRRA). We obtain qualitatively similar results, however, if we truncate the predictions and use CRRA preferences. We have not attempted to compute inequality-averse welfare functions as these depend on pairwise comparisons that are computationally prohibitive in our setting (and are not widely used for social welfare analysis).

²⁹An alternative to computing $W(\hat{y})$ is to first calculate $W(y)$ and then learn models to form predictions $W(\hat{y})$ directly, as in the Empirical Welfare Maximization literature. Empirically we find that learning models perform relatively poorly on the transformed $W(y)$ data due to the wide range of numeric values they take on, however. Our application differs in this regard from the empirical application in Kitagawa and Tetenov (2018), for example, who consider maximization of the average treatment effect on (untransformed) earnings and in a setting where baseline household income is much higher than in ours.

about 0.001. Of course, a social planner may have stronger redistributive preferences than this implies. We therefore consider a set of values ranging from 0 (risk neutral) to 0.015 (stronger concavity), nesting the Busara estimates but also allowing for substantially more curvature. This range includes most of the estimates in the literature review by [Barseghyan et al. \(2018\)](#), and (for intuition) corresponds to a range of certainty equivalents for a 50-50 gamble between \$0 and \$100 of between \$50 (i.e., for no risk aversion) and \$33 (at $\alpha = 0.015$).³⁰

We examine how social preferences W interact with the joint distribution of predicted deprivation and treatment effects in three ways. We first consider a binary choice between targeting the most deprived (as is currently the norm in practice) and the most impacted, and ask which of these the planner would prefer for given values of α . Note that these are both feasible policies in the sense that (by construction) these groups can be selected using a targeting rule that maps solely from our list of PMT-like covariates. We next estimate via numerical search the critical value α_c at which the planner would be just indifferent between targeting the most deprived and the most impacted. Intuitively, for high enough values (and thus a sufficiently strong preference for redistribution) her priority will be deprivation, while for low enough values (and thus a strong emphasis on overall gains) her priority will be impact. Finally, we examine the set of individuals the planner would choose to treat if allowed to choose *any* targeting rule based on those covariates, and the extent to which this *socially optimal* (SO) selection overlaps with both the most deprived and the most impacted groups.

The results indicate that *exclusively* targeting the most deprived does not generally yield the greatest welfare gains. In fact, for many plausible parameter values the planner would prefer targeting exclusively the most impacted to targeting only the most deprived (Table 4, Column 4). The critical values at which the planner switches to targeting the most deprived are quite high (corresponding to relatively low certainty equivalents of \$36, \$38 and \$36 for consumption, assets and income, respectively), implying that strong preferences for redistribution would be needed to justify targeting only the most deprived in this setting.

The same broad theme emerges when examining the groups the planner would choose if unconstrained. Columns 2 and 3 in each panel report the overlap of these groups with the most deprived and most impacted, respectively. Overlap with the most impacted group is

³⁰The estimates of α reported in [Balakrishnan et al. \(2020\)](#) were obtained using stakes corresponding to about 4 times the median daily expenditure. Because concavity is typically stronger over smaller than over larger stakes, it is possible that they are overestimates relative to the level of concavity one would observe over stakes that a policymaker would typically consider ([Rabin, 2000](#)). Importantly, because greater levels of concavity imply a stronger redistributive motive, a mis-estimation of this kind would bias our analysis in favor of targeting based on deprivation. The result that targeting based on impact is optimal for some outcomes in this setting should therefore be considered conservative.

(tautologically) 100% when the planner maximizes the average outcome, i.e. $\alpha = 0$. Stronger preferences for redistribution (higher α) are associated with more overlap with the most deprived, and less overlap with the most impacted, as we would expect. But even with strongly redistributive preferences the planner chooses to target a substantial proportion of her transfers to individuals outside the most deprived group. For example, at $\alpha = 0.015$, which corresponds to a strong preference for redistribution, the share targeted outside the most deprived is 64%, 49%, and 41% for consumption, assets, and income, respectively. These conclusions are also robust to sampling variation; in Figure A.10 we plot estimates corresponding to those in Table 4 with bootstrapped 95% confidence intervals, and see that even at the endpoints of these intervals the planner still includes large shares of non-deprived households in the optimal targeted group. Overall, then, the data suggest that optimal targeting in this context should reflect heterogeneity in *both* deprivation and impact.

5.4 Food security

Food security is a narrower measure of well-being than overall consumption but also of widespread humanitarian and policy interest. Recall that we pre-specified as a measure of food security an index aggregating responses to questions about the number of days out of the past seven that family members experienced negative outcomes, such as skipping meals. As it is unclear whether to interpret this as a per capita or an aggregate measure, we examine results for this index alongside results for both per capita and total household food consumption. We define food consumption as the sum of expenditure on food items (including meals outside of the home) and the estimated market value of own-farm output consumed by the household.

Regardless of which measure is used, the procedure identifies a most deprived group that is at least somewhat more deprived than the average, and than the most impacted group (Table A.7). In terms of per capita food consumption, for example—arguably the conceptually most appropriate measure—the most deprived group’s mean consumption is 44% lower than average and 34% lower than that in the most impacted group.

The trade-off with impact is somewhat less pronounced than for financial outcomes. For the food security index itself, estimated impacts are *the same* for the most deprived as the for the most impacted group (Table A.8). This is consistent with the intuitive, Maslowian idea that the poorest households are both most likely to be eating too little and also most likely to spend marginal income on food. For total food consumption, however—arguably the conceptually appropriate quantity here, since households of all sizes received transfers of the same magnitude—we again see a substantial trade-off, with gains for the most impacted roughly twice as large as those for the most deprived.

Figure A.11 makes the same point visually. For the food security index (and to a lesser extent for per capita food consumption) the relationship has a negative slope, suggesting there might be little or no trade-off between deprivation and impact. But when we plot effects on total food consumption against deprivation measured in per capita terms, we again see a positive relationship similar to that we observed for our financial outcomes. One might worry that this is driven by consumption of “luxury” food items such as snacks or meals out, but we obtain similar flat to upward-sloping relationships even if we restrict attention to total consumption of basic foodstuffs (e.g., staple grains).

Overall, when analysis with appropriate measures is carried out, the picture that emerges for food consumption thus seems to be that—as for financial outcomes—there is a non-trivial trade-off between targeting the most impacted and the most deprived. Because absolute impacts tend to be greater for larger households, however, this point is obscured if we only examine impacts on *per capita* measures of food security (including the food security index, which behaves similarly to per capita food consumption).

5.5 Spillover effects

An important open question of interpretation concerns the role of spillover effects. Because treatment in the experiment we study was assigned at the village level, the (differential) effects of treatment that we document on a given household h could in principle reflect differences in both the *direct* effect of transfers to household h itself and also *indirect* effects of transfers to other households in the same village.

The key issue for our purposes is the extent to which indirect effects are predictably heterogeneous. As a concrete example, suppose that households that own businesses tend to benefit disproportionately when their villages are treated with cash transfers. To the extent this is because they invest their own transfers and grow their businesses, the correct inference is that reallocating transfers to them would increase average treatment effects. To the extent this is because they benefit from the shock to demand from their neighbors, however, reallocating transfers to them would have no additional effect.³¹

One way to assess the importance of this issue is to examine *ineligible* households. We have exactly the same data (predictors and outcomes) for these households as for eligible households, and can thus conduct exactly the same analysis. But in this case the interpretation of the results is unambiguous: because ineligible households did not receive transfers themselves, any predictable heterogeneity we find in the (time-averaged) effects of assigning

³¹Note that any common spillover component that affects all households in a village equally would not alter our welfare analysis, since under a CARA social welfare function a common additive term does not affect the planner’s ranking of treatment assignments. Under alternative social welfare functions an additional adjustment would be needed.

their *village* to treatment must reflect heterogeneous indirect effects. A caveat is that we surveyed roughly half as many ineligibles as eligibles, and thus cannot estimate effects as precisely for this group.

A second, complementary diagnostic is to examine eligible households whose villages were not treated, and focus on variation in their exposure to indirect effects from *outside* those villages. To construct a binary measure of this exposure, we calculate whether their neighborhood treatment intensity, as defined in Egger et al. (2022), is above or below median. We then re-run our analysis replacing the own-village treatment indicator with this high-exposure to transfers indicator and examine whether we were able to predict patterns here similar to those in the main results.³²

Generally speaking, neither approach yields results similar to the main ones presented above. The models do not reliably predict heterogeneity, producing predicted effects on the most impacted that are quite different from estimated actual effects (Tables A.9 and A.10, Column 3). For consumption—the outcome where we found the strongest evidence for heterogeneous effects and a deprivation-impact trade-off—both spillover exercises actually identify a group most impacted by spillovers that is somewhat *less* impacted than the *D* group. The strongest evidence for predictable differences in spillovers is for within-village spillovers on the income of ineligibles, where we estimate meaningful differences in average impacts between the groups, though the large observed differences here between the predicted and actual effects for the impacted group is a cause for doubt about reliability in this small sample (Table A.9, Panel C).

Taken together, there is no strong evidence that the data and approach are able to detect heterogeneous spillover effects; this gives us more confidence that the main results are primarily picking up heterogeneity in direct effects. That said, both tests are indirect ways of getting at the root question of heterogeneous within-village spillovers onto the treated. It would be valuable to explore this issue directly in future work by applying methods like those we use here to data from a multi-level experimental design, in which treatment probabilities vary at both the individual and the community level. Such a study would need to be large enough (in terms of sample size) to generate sufficient variation in the characteristics of households targeted for transfers across areas in order to conduct meaningful inference regarding the existence of heterogeneous spillover effects.

³²For this analysis we train “static” models on time-demeaned data, rather than allowing for treatment effects to vary over time, since time since transfer onset nearby is not well-defined (transfers began in different neighboring villages at different times). This seems reasonable in any case given that our core results are quite stable with respect to time since own transfer receipt.

5.6 Alternative statistical learning methods

We close by comparing the performance of the GRF learning model to alternatives. We focus on two benchmarks in particular: Ordinary Least Squares (OLS) and LASSO regression. OLS has been widely used in practice to learn scoring rules for PMT targeting, but is not designed for prediction and thus does not incorporate regularization to guard against over-fitting, which LASSO does. Neither is designed to directly learn treatment effects, as GRF does, but one can do so indirectly by predicting $\hat{Y}_h(1)$ and $\hat{Y}_h(0)$ separately and then defining $\hat{\Delta}_h = \hat{Y}_h(1) - \hat{Y}_h(0)$.³³ To give OLS and LASSO the opportunity to identify nonlinearities in the data (which GRF can do without any data-preprocessing) we train them on the original covariate set as well as a full set of first-order interactions, and quadratic terms in the two continuous variables (time and household size). The estimation procedure otherwise follows Algorithm 1 exactly.

Table 5 summarizes performance differences across methods, focusing for parsimony on properties of the groups selected as socially optimal (SO) given a moderate degree of inequality-aversion ($\alpha = 0.001$) and on consumption as the outcome.³⁴

Several points are noteworthy. First, both OLS and LASSO select socially optimal groups that are somewhat more deprived than the group selected by GRF—though both predict that these groups are somewhat more deprived than they really are, OLS somewhat more so than LASSO (Panel A). This likely reflects the absence of regularization in OLS, combined with the inherent risk of a “winner’s curse” in selecting extremal groups.

Second, this over-optimism becomes very pronounced when we turn to impact (Panel B). LASSO and OLS both predict that they have identified optimal groups substantially more impacted than GRF—by 53% and a whopping 151%, respectively. But in fact the average treatment effects in these groups are substantially *lower* than in the group selected by GRF—by 20% in both cases. In the case of OLS, the predicted impact on the optimal group is more than *double* the actual.³⁵

One way to (loosely) summarize these results is that both LASSO and OLS—but particularly the latter, which lacks any form of regularization—think they have succeeded in

³³Alternatively, one can train models on the transformed outcome $Y_h^* \equiv Y_h(T_h) - Y_h(1 - T_h)$. We obtain broadly similar results using this approach.

³⁴Tables C.1, C.2, C.3, and C.4 provide the full underlying estimates corresponding to the main results and for all three financial outcomes; see also Figure C.1 for a visualization of OLS and LASSO analogues to the GRF results in Figure 1.

³⁵Part of the issue may be as follows: because of the indirect way the LASSO and OLS predictions are constructed, any “noise” in the calculation of $\hat{Y}_h(0)$ and $\hat{y}_h(0)$ due for example to sampling variation will mechanically tend to generate negative correlation between $\hat{y}_h(0)$ and $\hat{\Delta}_h$, which will bias the results towards the conclusion that the most deprived are also most impacted. This is analogous to the problem documented by Abadie et al. (2018).

identifying very highly impacted individuals, including many who are also quite deprived. As a result they predict that the planner can “have her cake and eat it too,” targeting households that are very deprived while still achieving a large ATE. In reality, however, their predictions regarding impact are far too optimistic. As a result LASSO and OLS end up selecting optimal groups that are genuinely somewhat less deprived than GRF (see Panel C), but paying an unexpectedly steep cost for this in terms of impact.

This comparison is of course merely illustrative, but does suggest there is some merit in learning heterogeneous treatment effects using methods explicitly designed for that purpose. Doing otherwise may lead to two forms of error. First, policy-makers may select the wrong recipients because they misjudge the trade-off between deprivation and impact. We see this here in the fact that OLS selects more of the households that are truly deprived (Panel C) but achieves a much lower average treatment effect (Panel B) than GRF. And second, conditional on the groups targeted, over-optimism about targeting performance implies over-optimism about the overall welfare gains from implementing a given targeted program. Mistakes like this will tend to distort resource allocation towards PMT-targeted programming at the expense of other approaches to targeting (or other uses of public funds entirely).

Beside these variations in the algorithm, we also consider several variations in data preparation methods as robustness checks. These address sensitivity to the discretionary choices that are needed even when (largely) using machine learning methods. We see that results are qualitatively similar if we use LASSO-selected covariates as predictors (Tables D.2, D.3, and D.4) and if we learn deprivation using data on control eligible households only (Tables D.5, D.6, and D.7).

6 Conclusion

This study asks whether targeting an anti-poverty program to the most “deprived” households, as is typically the case in real-world programs, has the greatest social welfare benefit, in the setting of an NGO cash transfer program in rural Kenya. A noteworthy innovation of our approach is the application of recently developed machine learning (ML) methods—specifically, generalized random forests—to learn the household characteristics that target either deprivation levels or high conditional average treatment effects across several outcomes that are prominent in international development policy debates. A central finding is that exclusively targeting the most deprived households is only attractive in a social welfare sense under very strongly redistributive preferences.

A corollary is that, for more plausible redistributive preferences, a meaningful share of the households that are social welfare maximizing to target are not those predicted to be most deprived. The results imply that policymakers should carefully consider whether au-

tomatically targeting anti-poverty assistance, like cash grants, to the poorest of the poor is necessarily appropriate in their own setting. This issue, and the results of this study, are more relevant than ever given the large rise in social assistance programming (often in the form of cash assistance) during the COVID-19 health crisis ([Gentilini et al., 2020](#)), and that in many cases appears likely to outlive the pandemic.

There are several caveats. First, the results we present apply to large-scale cash grants, but patterns of impact, and the nature of the deprivation-impact trade-off, may plausibly differ for other types of assistance (e.g., subsidized credit or public health insurance). The rural Kenyan setting we study is also ethnically and religiously homogeneous and characterized by relatively limited inequality across households (within a village); for instance, the vast majority of households are landowners. In other settings with greater gaps in household living standards or more salient social divisions, the benefits to targeting the poorest may be more pronounced. At the same time, in such settings, the gains from targeting those with the largest treatment effects may also be greater, and it is unclear which of these two effects outweighs the other.

Second, we measure endline outcomes (and thus treatment effects) over a substantial but still limited time window. Our data coverage begins shortly after transfer receipt and continues for nearly two years, which we see as a meaningful advance relative to past work on targeting, the bulk of which has had to limit itself to data collected at a single point in time. But both targeting performance and the persistence of cash impacts might of course change over yet longer time horizons ([Kondylis and Loeser, 2021](#)). The longer-term effects of this particular cash transfer program are the subject of ongoing work ([Egger et al., 2021](#)).

Third, we caution that targeting assistance to those with the largest treatment effects may deepen existing inequalities. It appears that several marginalized subgroups in the population we study, e.g., widow-headed households or those with few or no prime-age adults, translate the cash grants into less substantial gains in future consumption, assets and income. It is possible that this finding might hold more generally: groups that are frequently marginalized or discriminated against (e.g., women, and ethnic or religious minorities, etc.) may not be able to leverage an assistance program as effectively as more favored groups that have other social advantages. The analytical approach we propose might, in this case, conclude that it is social welfare optimal to target assistance to precisely these favored groups, even though this decision to target assistance to those who would use it “effectively” will tend to reinforce existing social inequalities. Sustained assistance over a longer period of time, or at higher levels, might be needed to allow deprived and marginalized groups to take full advantage of the opportunities provided by an aid program. This is beyond the scope of our study, given the one-time transfer and the limited time frame we examine, but

could be a rationale for more aggressively targeting assistance to deprived groups, providing complementary forms of assistance, or extending cash assistance over longer time periods (as in an ongoing universal basic income study in the same region, [Banerjee et al., 2020](#)). The correct inference, other words, might be akin to the idea in [Morduch \(1999\)](#) that “poorer households should be served by other interventions than credit” if they benefit less from credit, rather than writing them off entirely.

Despite these important limitations, we hope the approach proposed in this study can be used to reinvigorate real-world policy discussions around optimal targeting of social assistance. The use of richer data and sophisticated machine learning methods to target the households that are most likely to contribute to social welfare could potentially even help to build greater popular support for anti-poverty programs by convincing the electorate that social benefits are being maximized (rather than targeting being driven by politicians’ electoral considerations, say), although it may be a challenge to transparently and succinctly explain ML methods to many citizens. Doing so effectively might even make such programs more politically sustainable. In our view, it will be valuable to extend the approach in this study to other forms of assistance (beyond cash transfers), to other contexts, and to the use of alternative machine learning methods, and to ensure an active feedback loop with international development policymakers.

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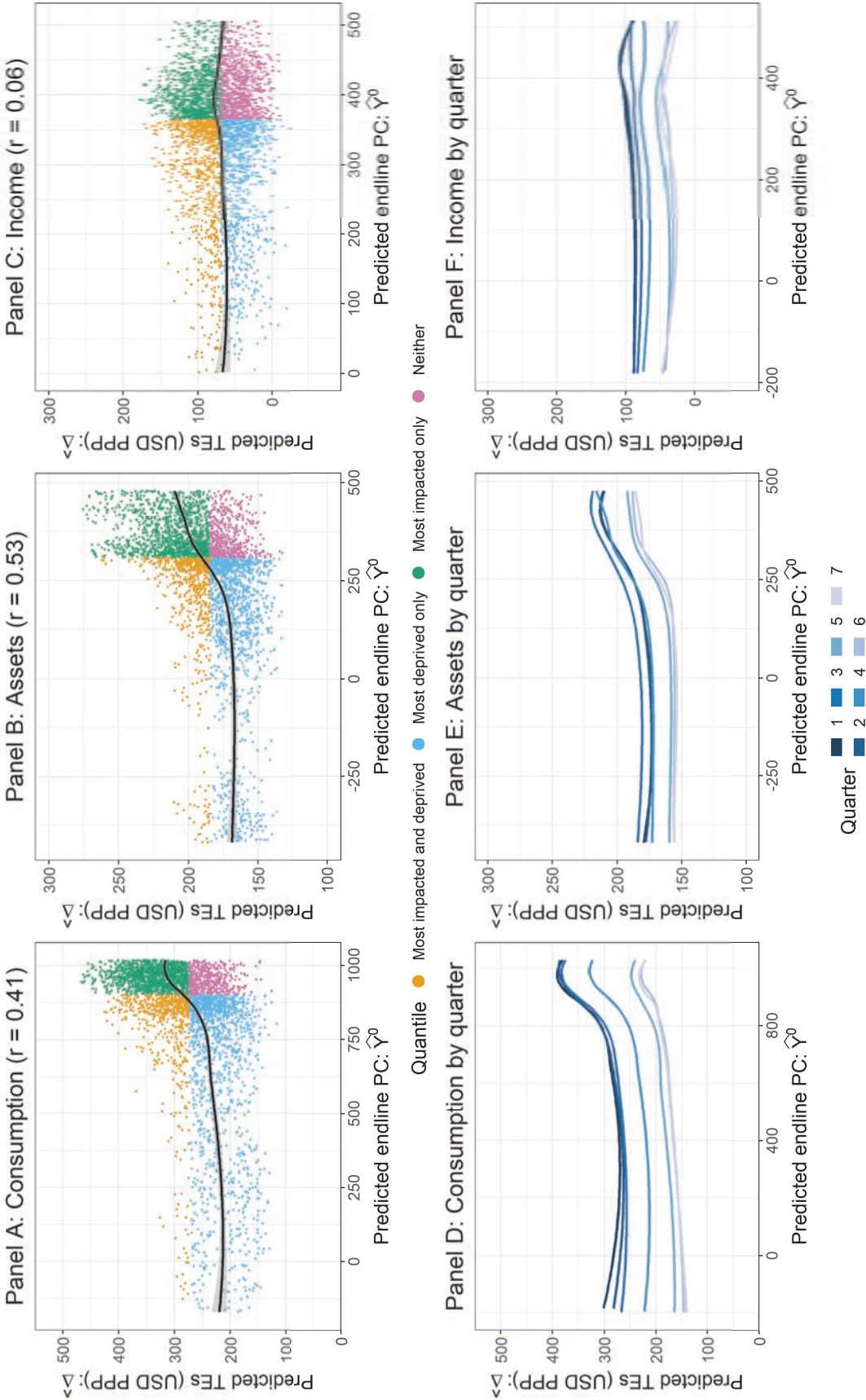
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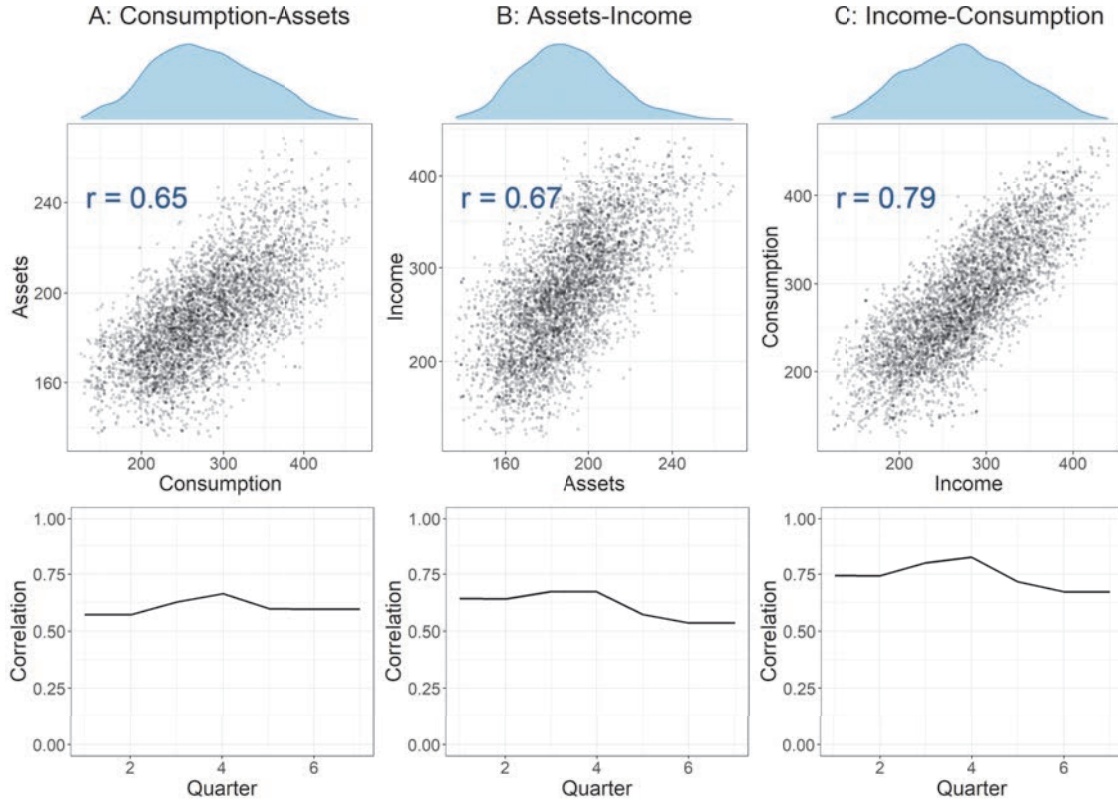
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Figure 1: Predicted treatment effects ($\hat{\Delta}_h$) plotted against the predicted untreated per capita values (\hat{y}_h^0)



Notes: Each sub-figure plots predicted treatment effects for an outcome (y-axis) against the predicted endline values (x-axis). Panels a, b and c include scatter plots of the household-level estimates and a local regression line, and are color-coded according to their deprivation and impact classification status. The correlation (r) between predicted endline values and treatment effects for the median model is reported in the subfigure title. Panels d, e, and f plot the local regression lines generated from data for each quarter after treatment. As we generate 150 models per outcome, the figures presented are from the median model in terms of the difference in average treatment effects between the most deprived and most impacted groups for each outcome. Both predicted endline and predicted treatment effects are estimated from generalized random forest models with the same set of covariates. Predicted endline values and treatment effects are from models trained on time-demeaned data; a constant was added to the predicted endline outcomes so that the overall predicted mean matches the observed sample mean.

Figure 2: Cross-outcome relationships in predicted treatment effects



Notes: This figure looks at correlations in predicted treatment effects across different outcomes for the main models presented in Figure 1 and Table 2. Panel A (column 1) looks at the relationship between consumption and assets, Panel B (column 2) looks at the relationship between assets and income, and Panel C (column 3) looks at income and consumption, with the former variable plotted along the x-axis. The top row plots the kernel densities of treatment effects for the x-axis, while the middle row shows scatter plots of predicted treatment effects. The bottom row plots the pairwise correlation between the variables by quarter since treatment. For each household we use the average prediction across the 150 models trained. r denotes the correlation between the predicted treatment effects for the median model.

Table 1: Predicted per capita untreated outcomes (y_h^0) by group

Statistic	(1) All	(2) Most deprived (D)	(3) Most impacted (I)	(4) Difference (D)-(I)
<i>Panel A: Consumption</i>				
Predicted	750	542	923	-381
Actual	729	503	911	-408
				(-567,-338) [-472,-344]
<i>Panel B: Assets</i>				
Predicted	232	85	343	-258
Actual	213	53	336	-283
				(-419,-247) [-314,-253]
<i>Panel C: Income</i>				
Predicted	304	186	321	-135
Actual	297	170	323	-153
				(-235,-68) [-188,-119]

Note: This table presents the group averages of actual and predicted per capita endline values among transfer-eligible households in treatment and control villages. Predicted values are based on generalized random forest models that i) were trained on time-demeaned data (a constant was added to the reported statistics so that the All statistic matches the observed sample mean) and ii) were trained to produce *predicted* endline values in the absence of treatment. While models are trained using data from both treatment and control households, for comparability statistics reported here restrict attention to control households for both actual and predicted values. Estimates reported in the table are the mean value of that statistic across the 150 models trained (see Appendix E for details). Model predictions are integrated across time after treatment. Column (1) reports overall averages of predicted and actual values. Columns (2) and (3) classify households on the basis of predicted deprivation and impact using our model; the most deprived group is the 50% of households with the lowest predicted per capita endline values, and the most impacted are the 50% of households with the highest predicted treatment effects. Column (4) reports the difference between the most deprived and the most impacted. We report the 95% CI for the actual difference statistic computed through empirical bootstrap in parentheses, and using the median standard error for the actual statistic, clustered at the village level, in brackets (Chernozhukov et al., 2018). All analyses are weighted by inverse sampling probabilities to be representative of the population of eligible households. $N = 2,367$.

Table 2: Predicted Average Treatment Effects (Δ_h) by group

Statistic	(1) All	(2) Most deprived (D)	(3) Most impacted (I)	(4) Difference (D)-(I)	(5) RI p-value $I - I^C > 0$
<i>Panel A: Consumption</i>					
Predicted	277	247	326	-79	
Actual	310	247	405	-159 (-268,31) [-244,-73]	0.00
<i>Panel B: Assets</i>					
Predicted	189	178	207	-29	
Actual	182	154	188	-34 (-68,91) [-82,14]	0.53
<i>Panel C: Income</i>					
Predicted	69	66	94	-28	
Actual	85	79	94	-15 (-37,187) [-77,47]	0.38

Note: This table reports treatment effects for transfer-eligible households (integrated over time as in Table 1). The *Actual* row denotes the average treatment effect of the group while *predicted* denotes the average of household-level predicted treatment effects from the generalized random forests (GRF) model. *Actual* averages are estimated using OLS and a group (deprived, impacted) indicator. Estimates reported in the table are the mean value of that statistic across the 150 models trained (see Appendix E for details). Column (1) reports overall treatment effects in this sample of eligible households. Columns (2) and (3) classify households on the basis of predicted deprivation and impact using our model; the most deprived group is the 50% of households with the lowest predicted per capita endline values, and the most impacted are the 50% of households with the highest predicted treatment effects. Column (4) reports the difference between the most deprived and the most impacted, with negative values representing a cost of targeting the most deprived relative to the most impacted. We report the 95% CI for the actual difference statistic computed through empirical bootstrap in parentheses, and using the median standard error for the actual statistic, clustered at the village level, in brackets (Chernozhukov et al., 2018). Column (5) reports randomization inference p -values for a test of heterogeneity under the null of homogeneous treatment effects, where each treated household has an individual treatment effect equal to $x \in [ATE - 3\sigma^2, ATE + 3\sigma^2]$, where ATE is the observed average treatment effect of the sample. The reported p -value is the maximum from searching over this grid of possible values of x . Note that each value of x defines a null. I^C denotes the complement of the most impacted. All analyses are weighted by inverse sampling probabilities to be representative of the population of eligible households. $N = 4,749$.

Table 3: Variable importance for predicting untreated outcomes and treatment effects

Variable	Predicted untreated outcomes (y_h^0)			Predicted treatment effects (Δ_h)			
	Mean (1)	Consumption (2)	Assets (3)	Income (4)	Consumption (5)	Assets (6)	Income (7)
<i>Panel A: Household demographics</i>							
HH size	4.38	0.68 (1,+)	0.71 (1,+)	0.40 (1,+)	0.18 (1,+)	0.19 (1,+)	0.17 (1,+)
Female head	0.69	0.01 (11,-)	0.00 (13,-)	0.03 (5,-)	0.05 (6,+)	0.05 (5,+)	0.05 (6,-)
Has children	0.81	0.06 (3,+)	0.05 (3,+)	0.05 (4,+)	0.01 (15,-)	0.01 (16,-)	0.01 (14,-)
Has children in school	0.66	0.02 (5,+)	0.01 (7,+)	0.01 (9,+)	0.03 (10,+)	0.03 (11,+)	0.03 (10,-)
Has child under 3	0.50	0.00 (16,+)	0.00 (15,-)	0.00 (15,+)	0.04 (8,+)	0.05 (7,+)	0.05 (7,+)
Has child under 6	0.64	0.00 (15,+)	0.01 (8,+)	0.00 (12,+)	0.03 (13,+)	0.03 (10,+)	0.03 (13,-)
Widow	0.21	0.05 (4,-)	0.02 (5,-)	0.20 (3,-)	0.01 (14,+)	0.02 (12,-)	0.01 (15,+)
Has elder member	0.11	0.09 (2,-)	0.02 (4,-)	0.22 (2,-)	0.01 (16,+)	0.01 (15,+)	0.00 (16,-)
<i>Panel B: Financial characteristics</i>							
Employed	0.34	0.00 (14,-)	0.01 (11,-)	0.00 (11,+)	0.03 (9,+)	0.04 (8,+)	0.06 (4,+)
Self-employed	0.27	0.01 (10,+)	0.01 (10,+)	0.03 (6,+)	0.05 (5,-)	0.05 (6,+)	0.06 (3,-)
Has any livestock	0.26	0.00 (12,+)	0.10 (2,+)	0.00 (13,+)	0.07 (3,+)	0.09 (2,+)	0.05 (8,+)
Owens land	0.84	0.01 (9,-)	0.00 (14,-)	0.00 (14,-)	0.03 (12,+)	0.02 (13,+)	0.03 (12,+)
Owens 1/4 acre	0.82	0.00 (13,-)	0.00 (16,-)	0.00 (16,+)	0.03 (11,+)	0.02 (14,+)	0.03 (11,+)
Owens TV or radio	0.62	0.01 (6,+)	0.02 (6,+)	0.01 (10,+)	0.04 (7,-)	0.04 (9,+)	0.04 (9,-)
Meals yesterday	2.29	0.01 (7,+)	0.01 (9,+)	0.01 (8,+)	0.07 (2,-)	0.08 (3,-)	0.07 (2,+)
Meals with protein yesterday	0.43	0.01 (8,+)	0.00 (12,+)	0.01 (7,+)	0.05 (4,-)	0.06 (4,+)	0.06 (5,+)
<i>Panel C: Study variables</i>							
Treatment	0.50	0.01 (+)	0.01 (+)	0.00 (+)			
Months since treated	19.09	0.03 (-)	0.02 (+)	0.02 (-)	0.28 (-)	0.21 (-)	0.25 (-)

Notes: Column (1) reports the unconditional mean of each variable at the baseline. Columns (2)-(5) report variable importance for endline predictions, and columns (6)-(9) report importance for predicted treatment effects. Variable importance is measured as the a depth-weighted average of the share of splits created in the process of growing trees that split on a particular variable (see Equation (13)). The first argument in parentheses is the variable importance ranking; the second argument is whether the predicted outcome increases (+) or decreases (-) when the variable is 1 versus 0 for indicators or a one standard deviation increase from the mean for continuous variables, fixing all other covariates to their mean. For each outcome, the top three variables by importance are in bold. $N = 4,749$.

Table 4: Overlap of socially optimal households to target with most deprived and most impacted

	(1)	(2)	(3)	(4)	(5)
CARA: α	CE	Most deprived	Most impacted	Choice	α_c
<i>Panel A: Consumption</i>					
0.0000	\$50	0.26	1.00	I	
0.0005	\$49	0.27	0.95	I	
0.0010	\$49	0.29	0.92	I	
0.0075	\$41	0.35	0.81	I	$\leftarrow \dots 0.012$
0.0150	\$33	0.36	0.79	D	
<i>Panel B: Assets</i>					
0.0000	\$50	0.26	1.00	I	
0.0005	\$49	0.30	0.90	I	
0.0010	\$49	0.35	0.82	I	
0.0075	\$41	0.49	0.58	I	$\leftarrow \dots 0.010$
0.0150	\$33	0.51	0.55	D	
<i>Panel C: Income</i>					
0.0000	\$50	0.45	1.00	I	
0.0005	\$49	0.47	0.96	I	
0.0010	\$49	0.48	0.92	I	
0.0075	\$41	0.56	0.72	I	$\leftarrow \dots 0.012$
0.0150	\$33	0.59	0.66	D	

Notes: Column 1 denotes the certainty equivalent (CE) of a 50-50 lottery over \$0 or \$100 under the specified CARA α parameter value. Column 2 (3) reports the share of households belonging to I (D) that are also “socially optimal” for a planner to treat. Socially optimal households are those in the top 50% of households ranked by potential gains from treatment using a CARA utility function for the risk aversion parameter (α) given in the row label. Reported shares are the mean of 150 5-fold GRF iterations; median ratios are similar (not shown). Column 4 reports the welfare maximizing choice between targeting the most impacted (I) and the most deprived (D) for a given α value. Column (5) reports the critical value α_c , the mean minimum value of α required to rationalize a policy targeting the most deprived instead of targeting the most impacted across the 150 estimated models. Formally, $\alpha_c = \min(\{\alpha : SW(D; \alpha) \geq SW(I; \alpha)\})$.

Table 5: Comparison across methods for consumption

Statistic:	GRF (1)	LASSO (2)	OLS (3)
<i>Panel A: Untreated outcome (per capita)</i>			
Predicted y_h^0 for (SO)	895	751	670
Actual y_h^0 for (SO)	882	795	764
<i>Panel B: Treatment effect</i>			
Predicted Δ_h for (SO)	325	498	816
Actual Δ_h for (SO)	443	355	354
<i>Panel C: Comparison to observed untreated outcome (per capita)</i>			
Proportion of actual (D) in selected (D)	0.633	0.631	0.608
Proportion of actual (D) in selected (SO)	0.441	0.491	0.488

Notes: This table presents comparisons across methods for learning predictions using consumption as our outcome of interest. Column (1) presents our main estimates using generalized random forests (GRF), as in Tables 1 and 2. Columns (2) and (3) show results using LASSO (as in Tables C.3 and C.4) and OLS (as in Tables C.1 and C.2), respectively. Panel A presents results by group for the untreated outcome (per capita), while Panel B presents treatment effects by group. Panels A and B report the predicted and actual group means for the socially optimal (SO) group, as defined in the welfare results using CARA utility for $\alpha = 0.001$ (as in Table 4 for Column 1). The socially optimal group thus varies based on the predictions generated by each method. Panel C uses endline survey data from control group villages to define the group that is observed to be the most deprived as households with per-capita consumption below the median, and compares this group (the “actual D ” group) to their assignments under different learning methods. For more details on each of these methods and results for other outcomes for Panels A and B, see the tables referenced above.