

# Optimism Retro Funding

So far, so good ... so what!?

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Co-founder, Open Source Observer



Part 1

# Why Retro Funding Matters

## Explore Developer Data

**7,661**

FULL-TIME DEVS ⓘ

AS OF JUL-01-2024

**26,037**

MONTHLY ACTIVE DEVS ⓘ

AS OF JUL-01-2024

**388,179**

TOTAL REPOS ⓘ

AS OF JUL-01-2024

**255,922,406**

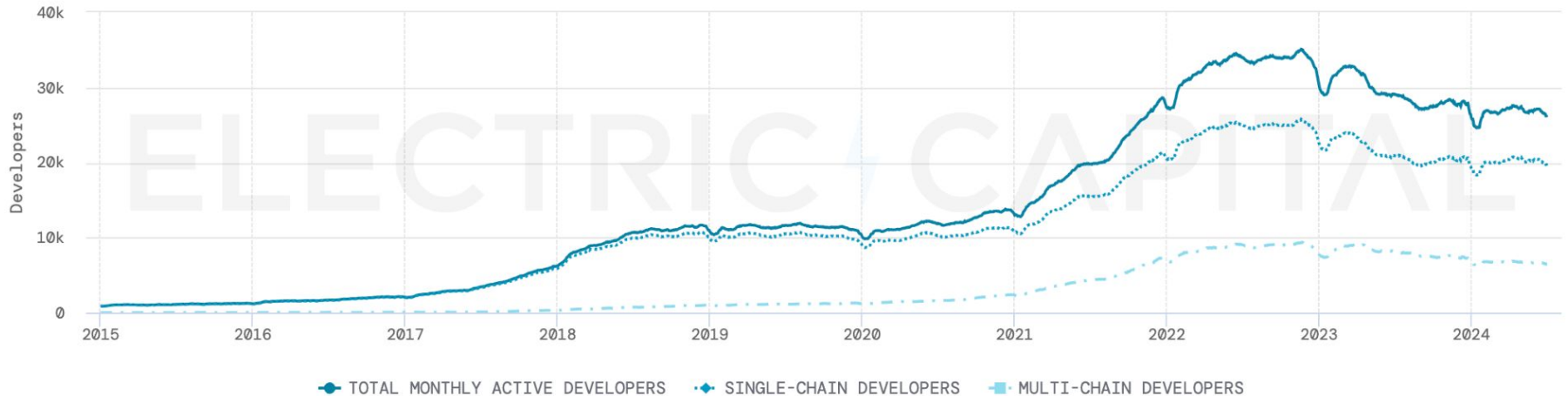
TOTAL COMMITS ⓘ

AS OF JUL-01-2024

## Monthly Active Developers ⓘ

[Help Update this Data →](#)

### MONTHLY ACTIVE DEVELOPERS (ALL)



Based on Crypto Ecosystems Github

# Crypto/Blockchain VC Deals: Money Invested & Deal Count

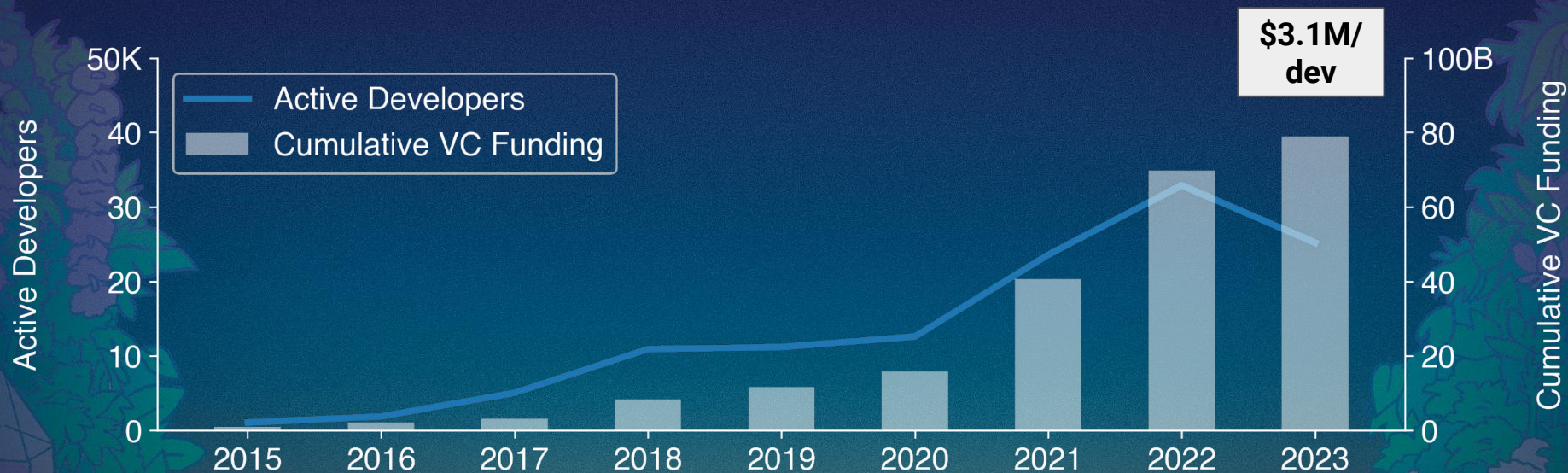
Source: Galaxy Digital Research



Data: Pitchbook

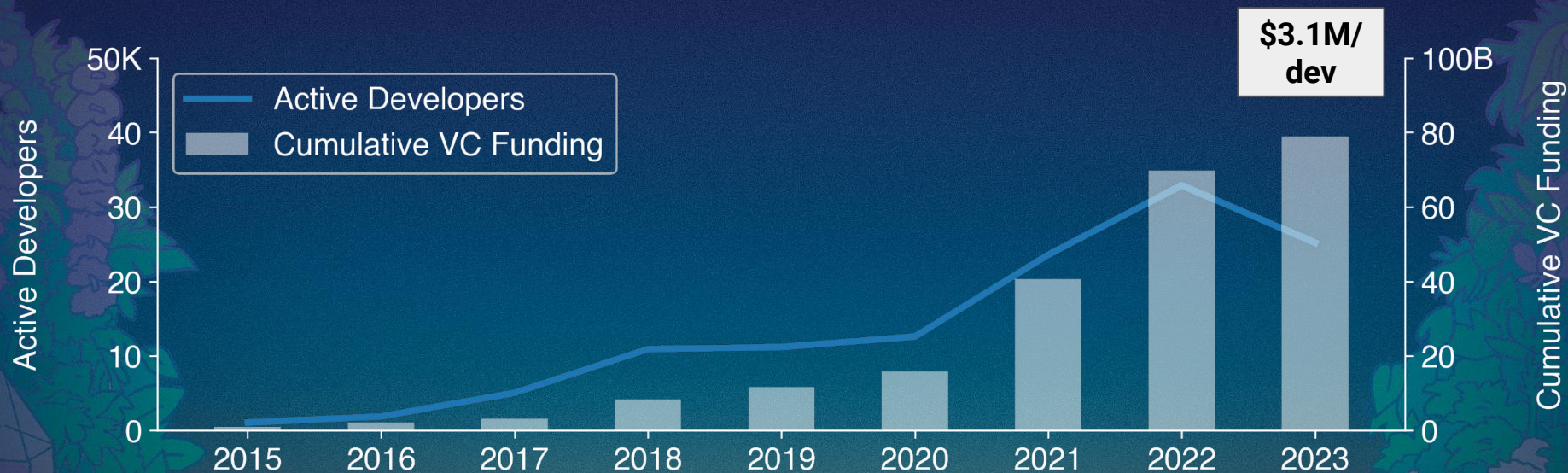


# Let's combine these datasets.





# Insight: Prospective funding is hard.



Source: Pitchbook; Electric Capital Developer Report 2024

“The core principle behind the concept of retroactive public goods funding is simple:  
**it’s easier to agree on what was useful  
than what will be useful.”**

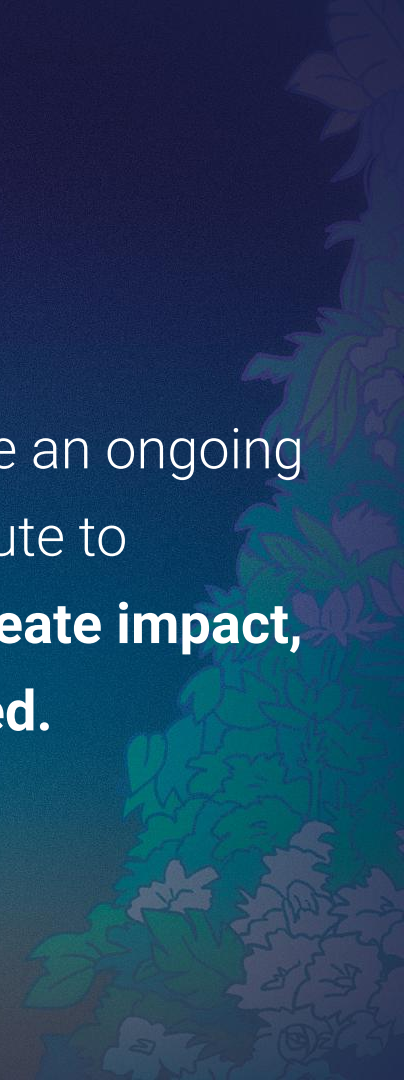




**Optimism  
has allocated  
850M tokens  
to Retro  
Funding.**

## **Impact = Profit**

The goal is to create an ongoing incentive to contribute to Optimism. **If you create impact, you will be rewarded.**

A decorative floral pattern in shades of green and blue, located on the right side of the slide, partially overlapping the dark blue background.



# Over 60M OP has been allocated so far.

## Round 1 \$1M USD

- Approx 50 projects
- No applications
- Selected by OP labs

## Rounds 2-3 40M OP

- 600+ projects
- Mega rounds: anyone can apply
- ~100 badgeholders aka "Citizens" vote on projects

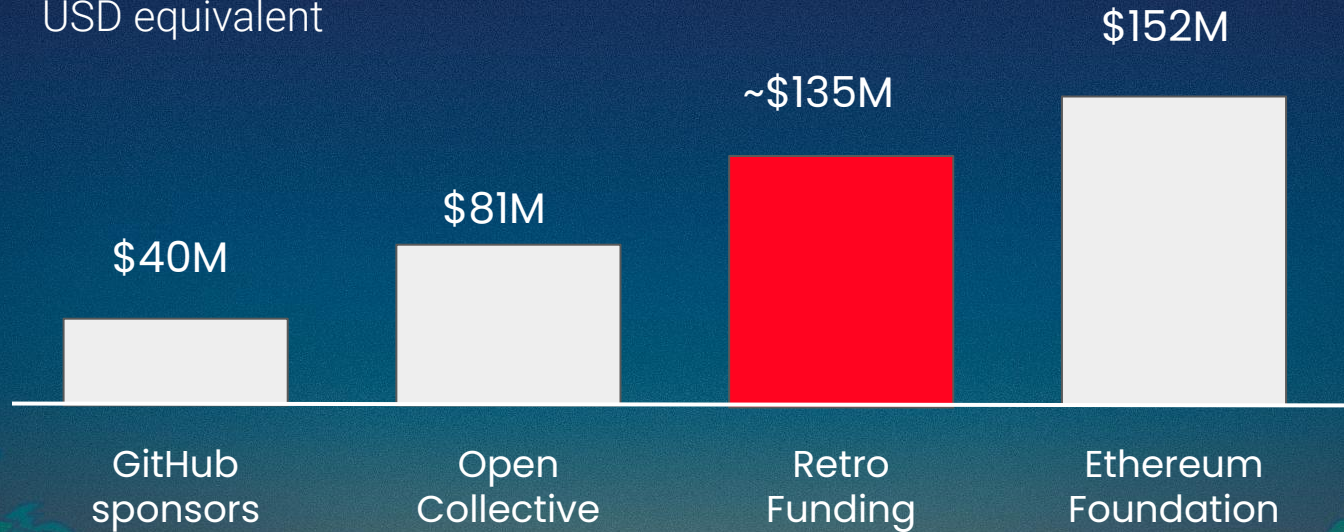
## Rounds 4-6 18M+ OP\*

- 300+ projects
- Round-specific eligibility requirements
- Badgeholders and guest voters vote on projects and metrics

\* Round 6 is currently underway and has up to 3.5M OP available.

# This is an important experiment.

**Project funding, last two years**  
USD equivalent



Sources: <https://github.com/sponsors>, <https://ethereum.foundation/report-2024.pdf>; <https://blog.opencollective.com/>





Part 2

# Mythbusting

## **Reality:**

Retro Funding comes with no strings attached.

Projects have no obligation to continue building on Optimism after they receive tokens. (Most projects do continue, however.)

**Myth 1:  
Retro Funding  
comes with  
conditions.**



# Myth 2: Retro Funding is Optimism's only grants program.

## Reality:

Optimism has given out more than 60M OP prospectively in the form of “mission grants”.

In 2024, 90 out of 350 Retro Funded projects had mission grants from Optimism – totalling 34M OP.

## **Reality:**

Optimism never had a formal definition of “public goods” – it only cares about bridging the gap between impact and profit.

Projects with no fee revenue receive significantly more Retro Funding than projects with revenue (median of 72K vs 15K OP). In 2024, 191 out of 350 Retro Funded projects said they had no fee revenue in their applications.

**Myth 3:  
Optimism no  
longer cares  
about about  
public goods.**



# Myth 4: VC-backed projects have an unfair advantage.

## Reality:

VC-backed organizations represent a small share of teams applying for Retro Funding.

In 2024, 64 out of 350 Retro Funded projects had raised venture capital. These projects received half as much funding as non-VC-backed projects (median of 23K vs 47K OP).

## Reality:

Humans are not good at making outright assessments of value, e.g., deciding how much Retro Funding a project deserves. They find this work overwhelming.

Humans are much better at making relative comparisons of impact, e.g., comparing two projects side-by-side. Optimism ran a number of voting experiments in 2024 that illustrate where subjective experience is most valuable - and where objective data is needed to improve results.

**Myth 5:  
Optimism's  
badgeholders are  
good at deciding  
how much Retro  
Funding each  
project deserves.**

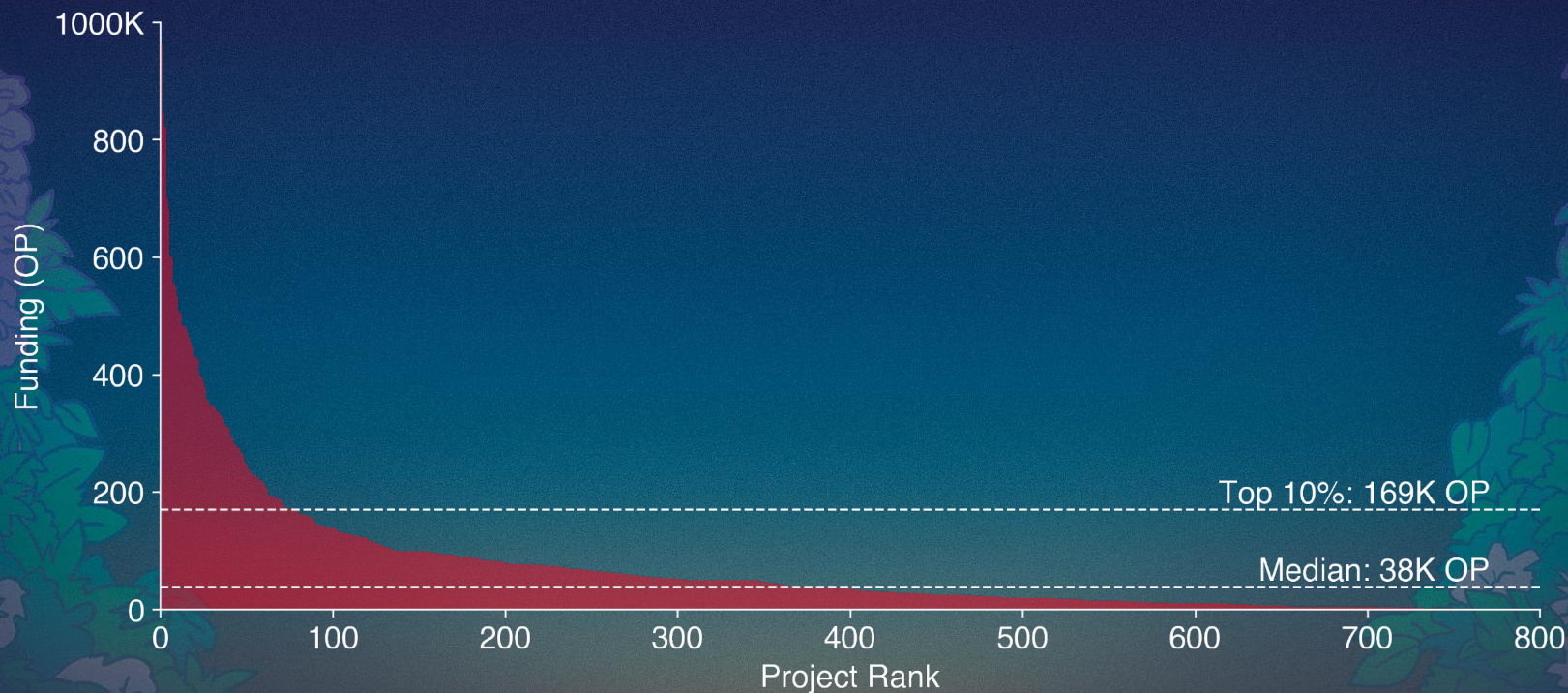
Part 3

# **What's been the impact of Retro Funding?**



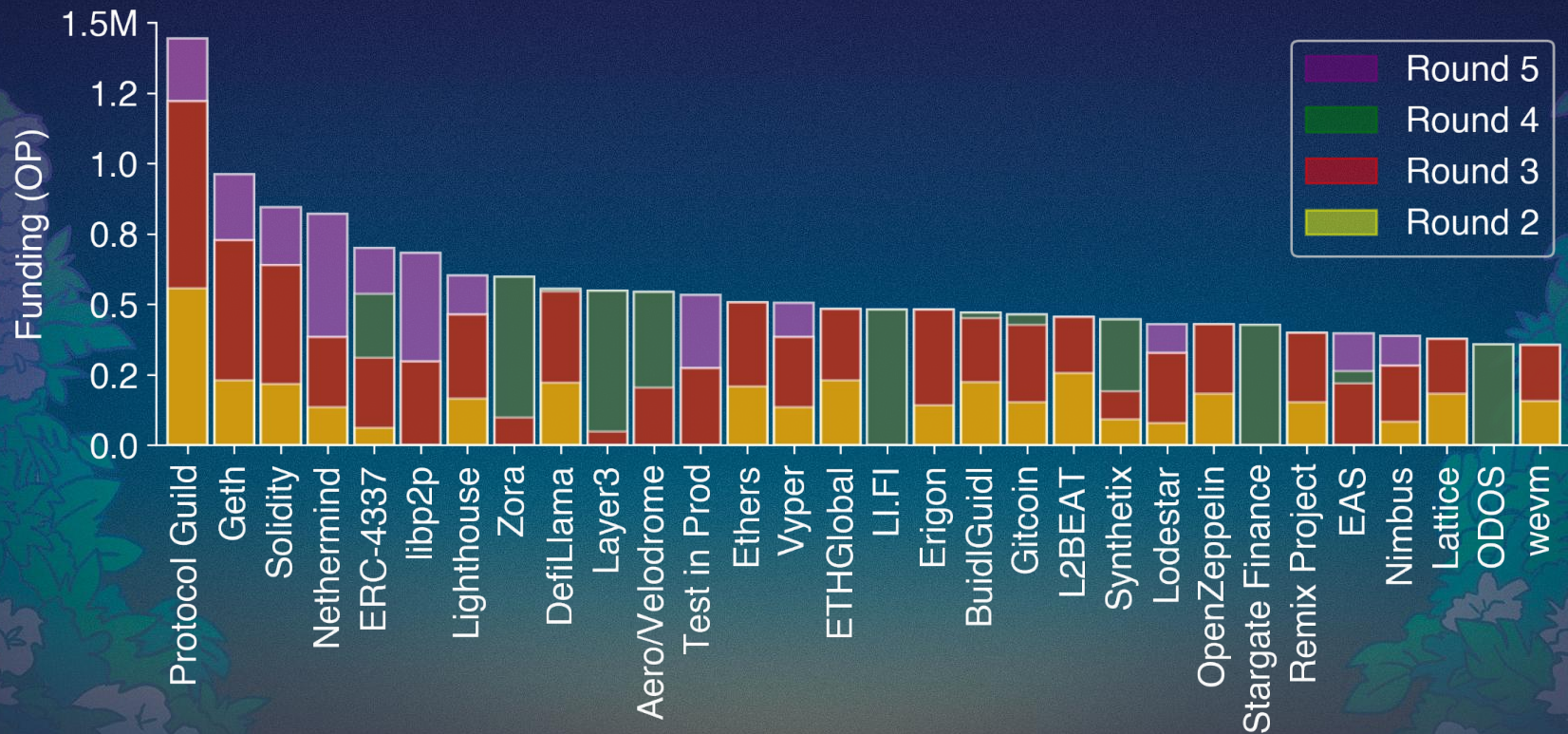
# 771 projects have received 58M OP (to date).

Cumulative Retro Funding distributions to projects (Rounds 2-5)





# The top recipients represent a range of domains.





## **L2 Beat:**

**The previous round of RPGF was a defining moment for us.** We were the second biggest recipient and this opened our eyes to what we should do... We decided to focus solely on producing public goods that are consistent with our self-defined mission to be an independent and impartial watchdog that provides on-chain transparency.”



## Week in Ethereum News:

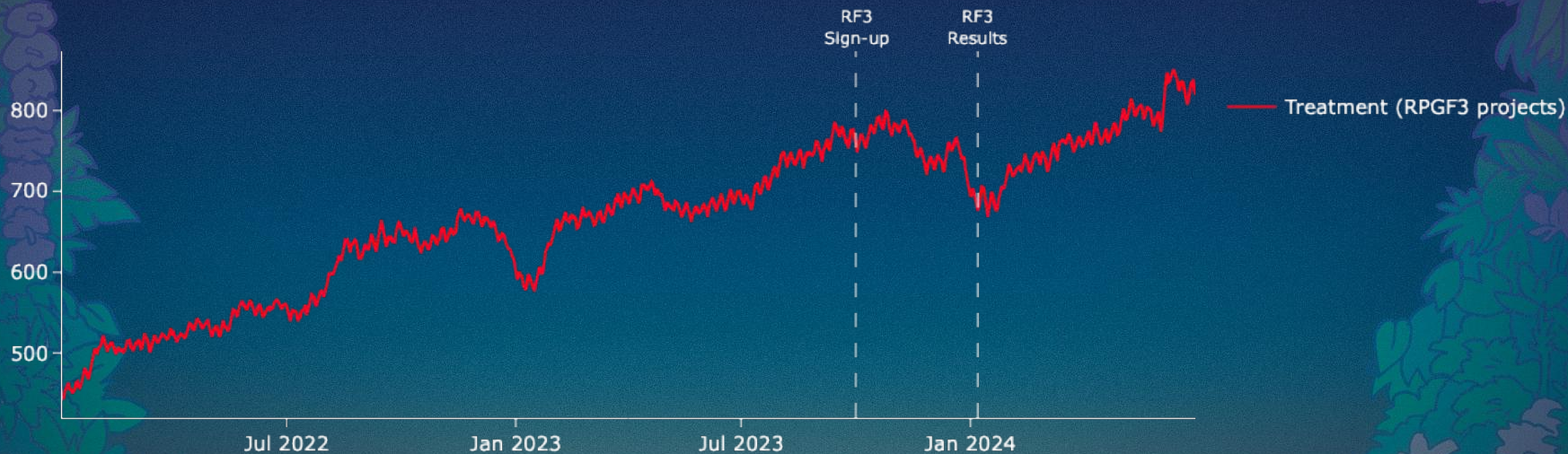
Retro funding pays my rent and feeds my family, so I can edit my favourite newsletter.

**It was a game changer, and gave me extra years doing what I love.**



# Developer activity among Retro Funded projects has increased steadily over the past two years.

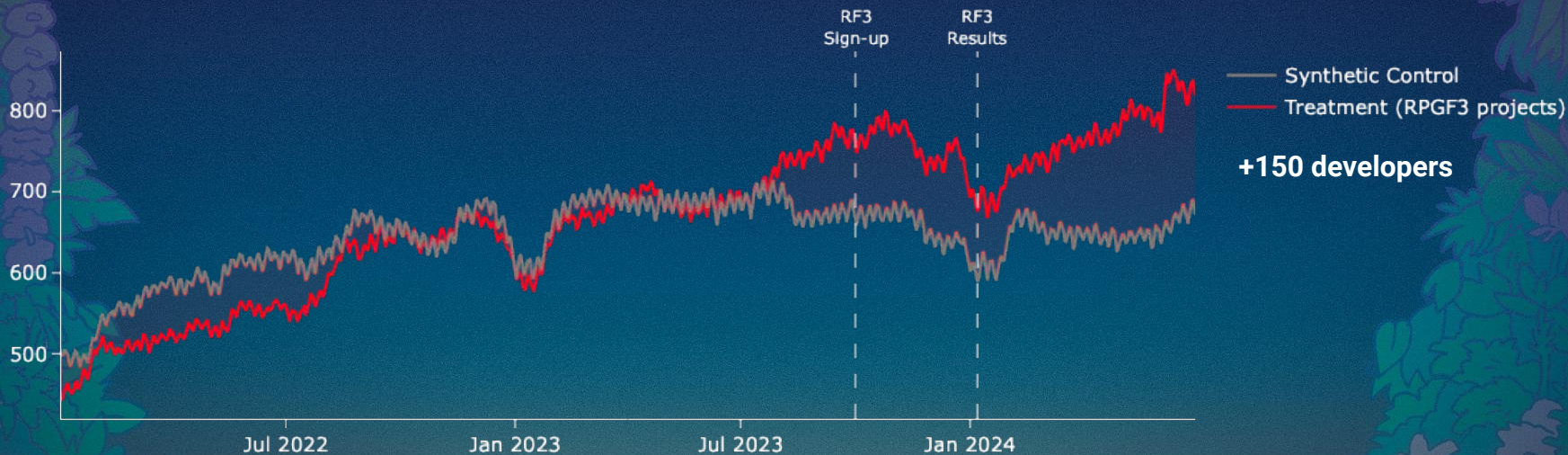
Monthly active developers (rolling 30 day window)





# The growth is even more pronounced relative to a synthetic control groups (other L1s/L2s).

Monthly active developers (rolling 30 day window)



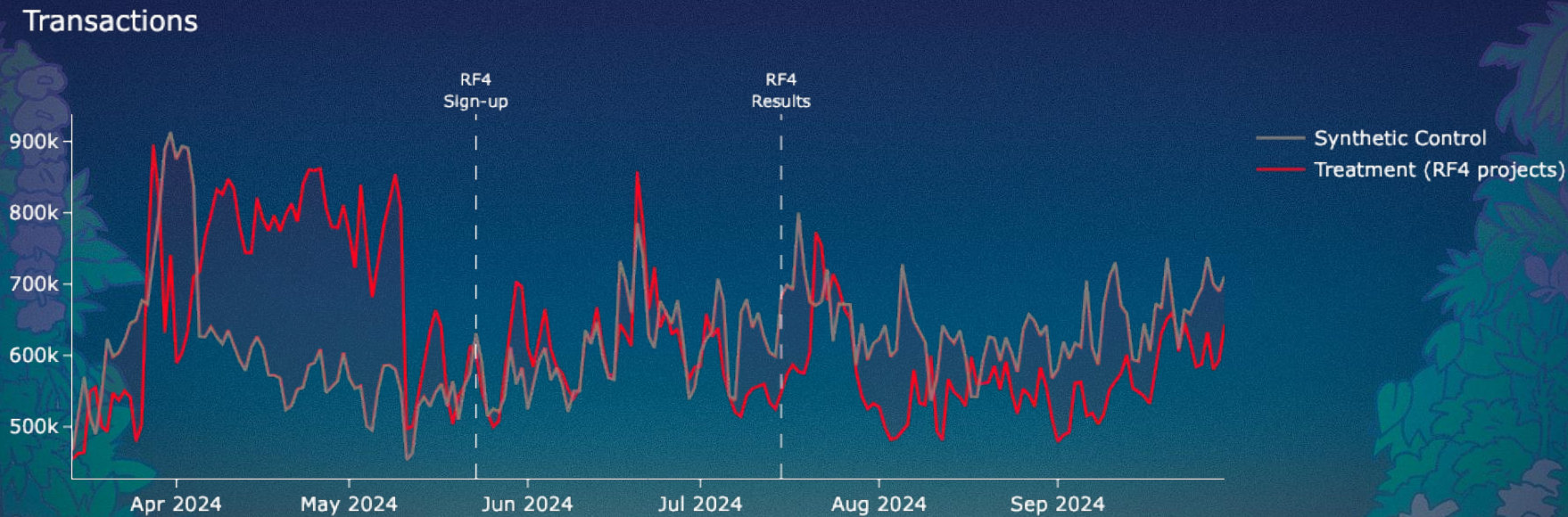


# We can run similar analysis for onchain activity.





**The results are less conclusive if we only look at the period post-Blobs (after March 2024).**



# Relatively less funding was to onchain projects.





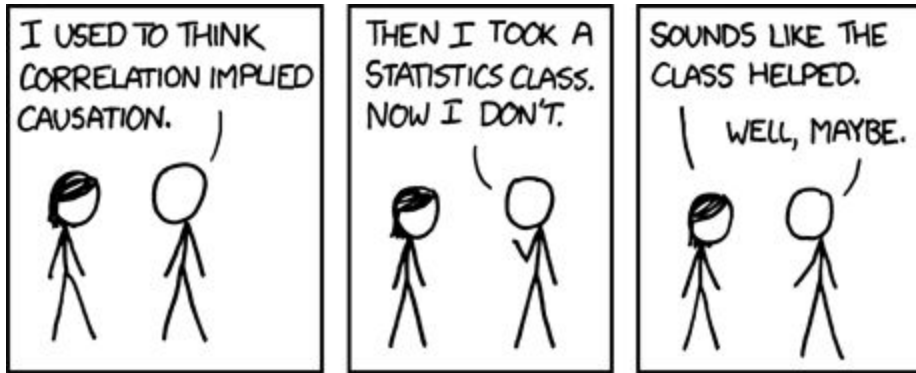


Part 4

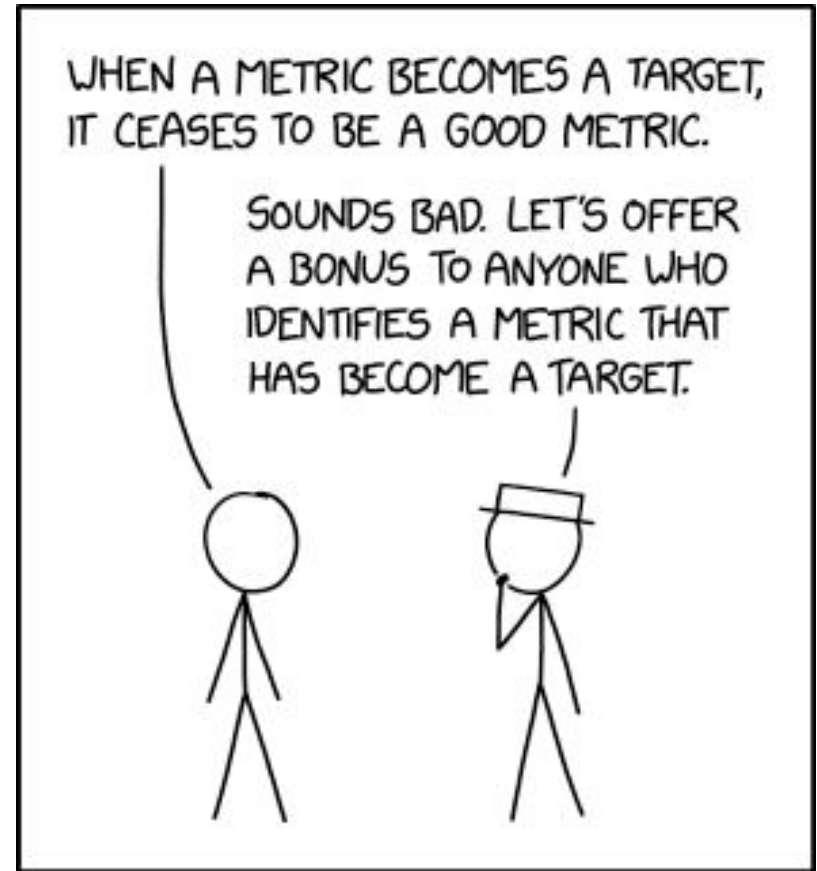
# What Next?



# Challenge 1: Correlation vs causation

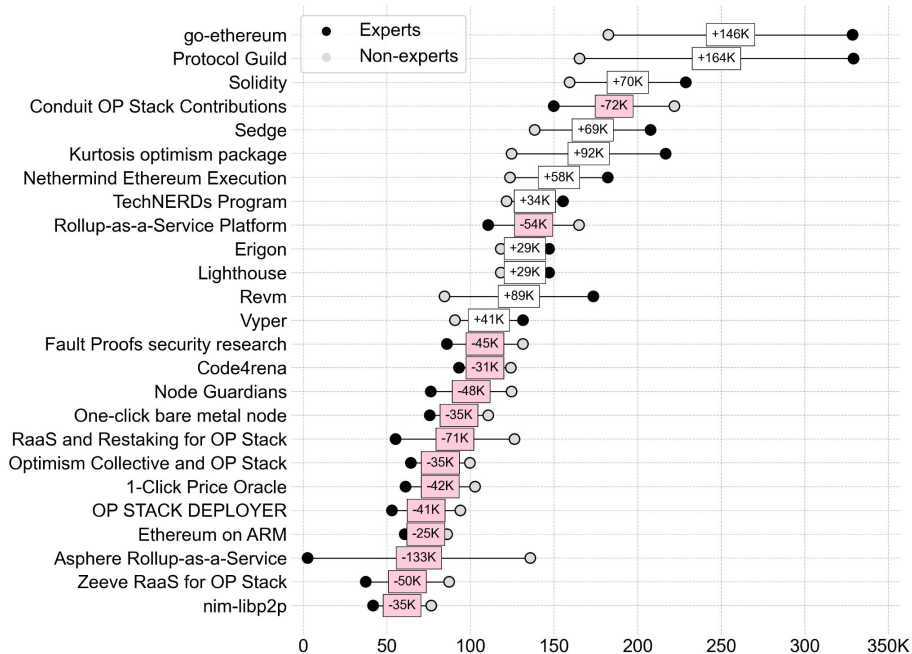


## Challenge 2: Metrics vs targets





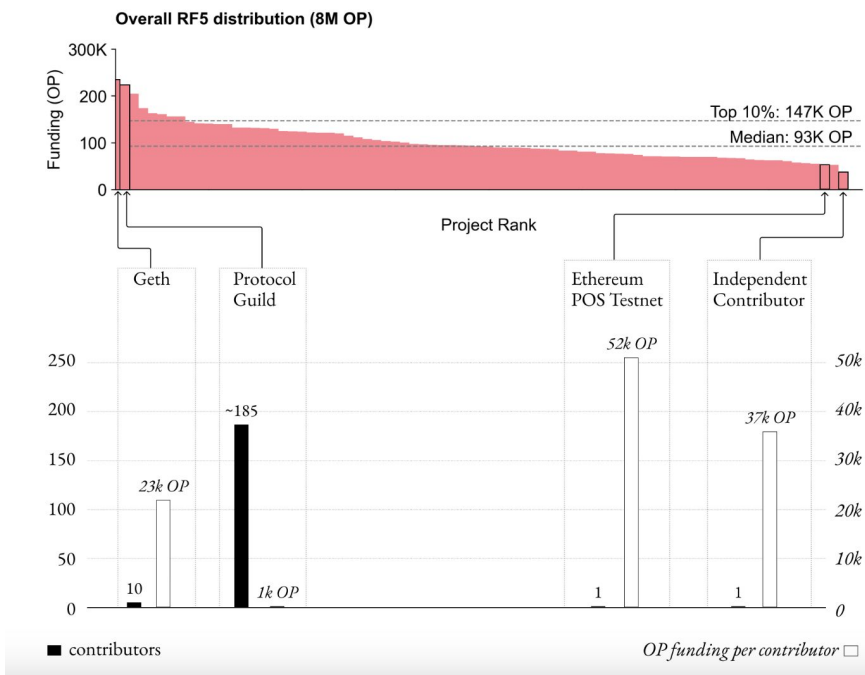
Simulation: major differences in allocations by expertise group



# Challenge 3: Experts vs ordinary citizens

# Challenge 4: Aggregation vs atomization

The optimal approach was to claim max impact for the smallest number of beneficiaries, or split large projects into smaller ones. This graph illustrates the benefit clearly:



Source: [https://trent.mirror.xyz/ia1sSXWw6Q\\_0gseWhPDpt0WbsOadCfQ-23yAxNn4sXA](https://trent.mirror.xyz/ia1sSXWw6Q_0gseWhPDpt0WbsOadCfQ-23yAxNn4sXA)



RetroPGF Round 3 results are here!

30M OP was granted to contributors building the public goods that power the Optimism Collective.

### RetroPGF: Highlights across rounds

501

total recipients in Round 3

366

recipients were new in Round 3

112

are recipients for the second time

23

are recipients in all 3 rounds



12:00 AM · Jan 12, 2024 · 2.3M Views

303

777

1.9K

157

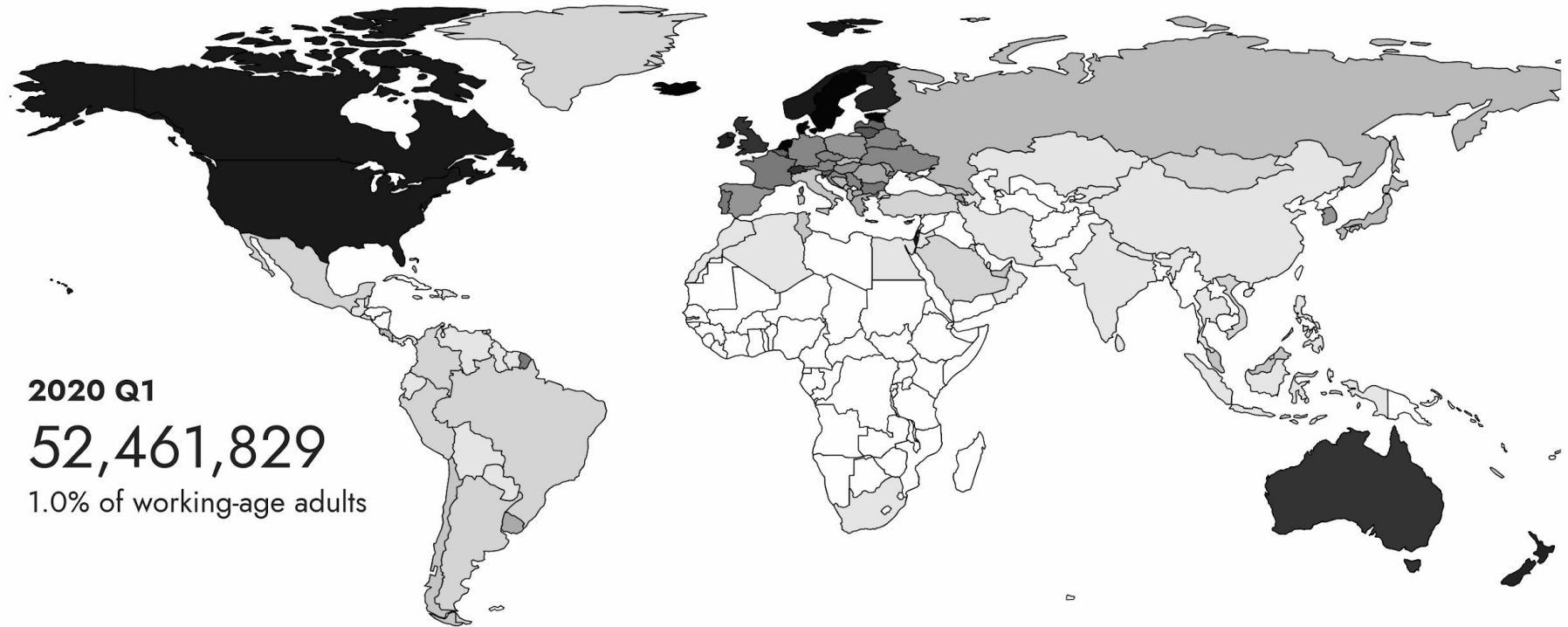


# Challenge 5: Vibes ✂ precision

**The upside to figuring  
this out is huge.**



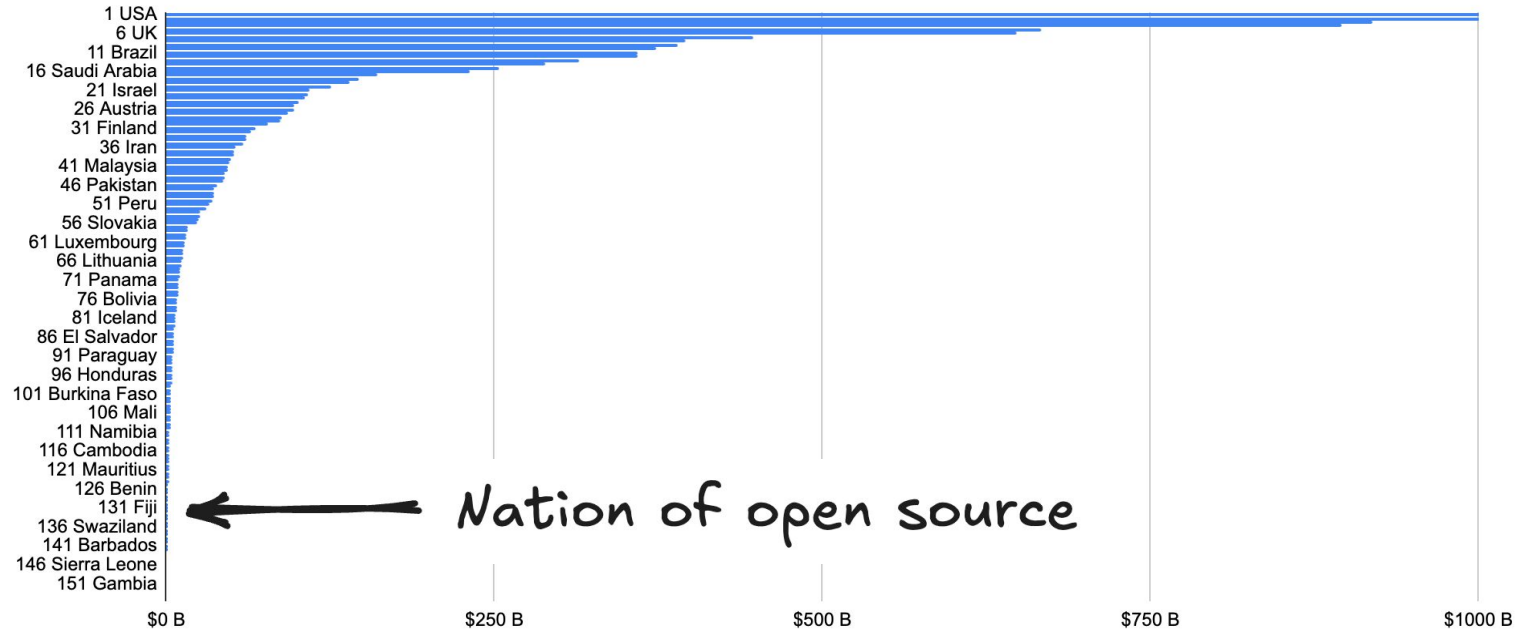
# Open source software is a global movement.



Source: The Plurality Book, GitHub Innovation Graph, United Nations

# We need to fund it better.

Government spending, in US dollars (billions), by country







# Thank you!

**Carl Cervone**

Co-founder, Open Source Observer

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Get Retro Funding:

<https://retrofunding.optimism.io>

Learn more about OSO:

<https://www.opensource.observer>