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Summary

This proposal aims to propose a more structured vendor selection process for the Aave DAO to determine the needs of the protocol prior to engaging with external service providers. The goal of this is to ensure that major budget items are put forth to a competitive process with multiple parties bidding on the work so that the DAO receives the best service at a competitive price from capable partners with a history of success.

Motivation

To date, when there is a need for work to be done by the DAO, it is usually determined by an outside service provider who proposes their specific solution to fill that need. They post in the forum a proposal that highlights the issue, but primarily focuses on how they can solve it. Because the original post pertains not to a specific problem, but a specific vendor solution, competing providers are disincentivized from participating and proposing their own solutions. This process leads to “vendor-specific” solutions that may not be the best solution for Aave specifically.

This proposal was outlined in response to the thread regarding the cancellation of the Llama service provider stream[link](#) and was born out of the learnings of their engagement process. While this is not a reaction to their engagement, the DAO can take this opportunity to change how vendors are onboarded to minimize the probability of future offboardings due to vague or outsized scopes while more intentionally onboarding future partners.

The framework outlined below is intended to keep bureaucracy to a minimum and purely provide structure to analyze, discuss, and compare future third-party expenditures.

What proposals does this include

Right now, there are two process flows for potential vendor engagements related to working on behalf of the protocol:

1. <\$100k in total cost: funded and voted on by AGD without the need for a broader community discussion or snapshot/AIP
2. \$100k+ in total cost: full proposal posted to the forum for community debate before needing both Snapshot and AIP votes before being validated

As a part of this process, I propose adding a third bucket to add a more rigorous analysis to larger, more complex engagements. This would create a distinction between “vendor-specific engagements” and “core protocol contributors”:

1. Vendor-specific engagements (VSE): engagements with a narrow scope and a treasury ask between \$100k-250k (ex. [Flipside](#), [ACI](#), [Sigma Prime extension](#))
2. Core protocol contributor (CPC)*: Any proposal asking for >\$250k in funds over the duration of the engagement where the community believes there is a competitive market of vendors to be reviewed beyond the proposing entity.

For any proposal falling under the classification of a VSE, the current process of an isolated proposal + vote to the community is sufficient because:

1. The budget expenditure is not sufficient to warrant an extended process (at this time)
2. The discussion in the community is traditionally around the specific benefits of this specific vendor/partner helping solve a specific problem

For proposals falling under CPC, the community should be taking an extra leg of diligence to understand:

1. The functional problem of the protocol that needs to be solved
2. What the ideal solution looks like
3. What the right market cost should be
4. What different service providers exist and how they compare

*Note: The community can elect to raise the VSE limit to \$500k or reduce the CPC to \$250k, but for the purposes of this proposal, we leave that gray area to the community to decide whether a full RFP process is required for a given proposal.

Process

To enhance the diligence capabilities of the community for designated CPC engagements, we aim to enhance the information to be shared in the initial proposal beyond just the service provider aiming to win business. This includes

additional color on the market, the competition, and similar engagements for reference. If the RFP receives favorable responses, service providers can begin to “bid” on the work to be done with their own proposals. (At this time I do not believe that a Snapshot “ratifying” the RFP is a necessary step as it would simply add governance overhead, but may need to be added in the future).

Vendors can post the initial “RFP” proposal as well as an initial “bid” to it to provide work to be done. In an ideal world, the RFPs would be sponsored or posted by a recognized delegate for independence, but this is not mandatory.

CPC Proposal Process

1. RFP is posted to the forum for feedback (framework provided below)
2. Community discussion and alignment on:
3. Need for a service provider to be engaged for work
4. Budget range for bidders to aim for
5. Additional questions to be answered in the “bids”
6. Deadline to submit bids and go to a vote
7. Need for a service provider to be engaged for work
8. Budget range for bidders to aim for
9. Additional questions to be answered in the “bids”
10. Deadline to submit bids and go to a vote
11. Bidders are sourced from the community or publicly posted by reputable service providers
12. Bidders post separate threads with their respective proposals for specific Q&A
13. Bidders schedule live Q&A sessions with the community for presentation and discussion
14. RFP threads are used for bidder comparison and discussion
15. Bidders post separate threads with their respective proposals for specific Q&A
16. Bidders schedule live Q&A sessions with the community for presentation and discussion
17. RFP threads are used for bidder comparison and discussion
18. Ranked choice Snapshot vote of proposed Bidders, narrowing the field to the top 2-3 choices
19. Binary AIP vote selecting which Bidder’s contract to initiate or reject all Bidders and proceed with the status quo

To provide sufficient time for bidders to draft submissions and receive community feedback, a proposed template timeline would look something like the below:

Time

Step

T + 0

RFP is posted for feedback

T + 7

RFP has received positive feedback and is finalized for bidder submissions

T + 21

Final day for bidder submissions

T + 28

Snapshot vote

T + 35

AIP vote

To remove the potential partiality of any specific individuals during this process, this structure proposes an independent third party to manage the process to keep timelines and ensure the market is aware of the opportunity. There are three members who are already funded by the DAO who could take this added responsibility, the Grants Lead (cc: @0xbill

), Flipside, and ACI. This lead would be responsible for ensuring RFP/Bidder post formats and scheduling of Q&A/demo sessions.

RFP Proposal Format

Each proposal must include the following sections:

A header:

1. Title

: A concise and descriptive title for the proposal, including the proposal type [RFP] in a [TAG] format.

1. Author

: The name of the author and/or entity creating the proposal.

1. Date

: The date the proposal is being made, in the YYYY-MM-DD format.

A proposal body:

1. Summary

: A succinct summary of the proposal.

1. Problem area

: A detailed presentation of the existing problem this engagement will address and how it is currently impacting the protocol.

1. Proposed solution

: Outlining the proposed engagement structure and how a third party will integrate with the DAO. This section should include specific details around:

- What exact (and minimum) deliverables should be expected from a service provider
- What qualifications are needed from a proposed Bidder
- What further information will be needed during the bidding process (i.e. specific questions to be answered)
- A list of potential service providers who should be engaged to submit bids to the DAO for review
- What exact (and minimum) deliverables should be expected from a service provider
- What qualifications are needed from a proposed Bidder
- What further information will be needed during the bidding process (i.e. specific questions to be answered)
- A list of potential service providers who should be engaged to submit bids to the DAO for review
- Budget

: A compensation target range for the community to discuss which includes:

- Commentary on how this number was chosen
- Links to any relevant comparable engagements with other DAOs
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- Links to any relevant comparable engagements with other DAOs
- Disclaimer

: Any necessary disclaimers, such as conflicts of interest or third-party involvement.

- If posted by a delegate or community member: clarity on any potential parties who might submit a proposal that either
- Was involved in the RFP drafting process
- Has any conflicts with the posting member (prior dealings, investments, financial incentives for approval, etc.)
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- Has any conflicts with the posting member (prior dealings, investments, financial incentives for approval, etc.)
- If posted by a Bidder: disclaimer that they are a vendor and will also be submitting a bid in due time
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- Was involved in the RFP drafting process
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- Has any conflicts with the posting member (prior dealings, investments, financial incentives for approval, etc.)
- If posted by a Bidder: disclaimer that they are a vendor and will also be submitting a bid in due time
- Next Steps

: The proposed timeline for receiving and finalizing bids as well as proposed Snapshot and AIP dates.

1. Copyright

: A statement defining proposal copyright. While Open-Source is mandatory, the choice of a specific license is left to the author.

Bidder Proposal Format

Each bidder proposal must be posted in its own thread and include the following sections:

A header:

1. Title

: A concise and descriptive title for the proposal, including the proposal type (RFP-BID) in a [TAG] format.

1. Author

: The name of the author and/or entity creating the proposal.

1. Date

: The date the proposal is being made, in the YYYY-MM-DD format.

A proposal body:

1. Summary

: A succinct summary of the proposal including a link to the RFP it is in response to.

1. Problem area

: A detailed presentation of the existing problem beyond what is scoped out in the RFP. This may include new insights and implications of not solving this problem or solving it incorrectly.

1. Proposed solution

: Outlining the bidder's proposed engagement structure while providing specific information requested in the RFP:

- What exact deliverables and commitments are being made
- Bidder's qualifications and past experience, specifically highlighting:
- Other work done specifically for Aave
- Other engagements with similar or relevant DAOs

- Other work that is relevant to the RFP
- Other work done specifically for Aave
- Other engagements with similar or relevant DAOs
- Other work that is relevant to the RFP
- Answers to any specific questions
- Team background and further information
- Budget: Specific breakdown of the expected cost and incentive structure (i.e. is it a flat fee or is a portion contingent on successful completion of work or KPIs hit)
- Disclaimer: Any necessary disclaimers around work with others in the Aave community or other DAOs that may impact the impartiality of their work.
- Next Steps: Acknowledgement and acceptance of the timeline proposed in the original RFP and any live presentations or Q&A sessions scheduled.
- Copyright: A statement defining proposal copyright. While Open-Source is mandatory, the choice of a specific license is left to the author.

Miscellaneous

We propose adding a new tag in Discourse for “RFP” proposals to ensure they do not overrun the “Governance” section.

Specific questions for discussion

1. Do the cost thresholds make sense, should they be higher or lower? Are there any other factors that should be considered?
2. Should we remove the VSE & CPC differentiations and anything above \$100k goes through an RFP?
3. Should we remove the VSE & CPC differentiations and anything above \$100k goes through an RFP?
4. Is there any further information necessary for an RFP to be thorough?
5. Is there any specific information needed from a Bidder to appropriately diligence them?
6. Who should be specifically empowered to facilitate the management of this process?

Disclaimer

I am not presenting this ARFC on behalf of any third party. Research, diligence, and time invested were funded by AGD.

Next Steps

If consensus is reached on this TEMP CHECK via forum responses, escalate this proposal to the Snapshot stage.

If the Snapshot outcome is YAE, this proposal will be considered canon, and the guidelines will be adopted.

Copyright

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