

Co-authored with Shreyas Hariharan ([@HelloShreyas](#))

UPDATE

– May 28, 2021

The proposal was ratified on-chain earlier this month, the grants DAO has been funded and we've started receiving applications.

Proposal: [Aave - Open Source Liquidity Protocol](#)

Aave Grants DAO home page and application portal: <https://aavegrants.org/>

UPDATE

– April 20, 2021

[Nick Cannon \(@inkyamze\)](#) and [Calvin Chu \(@calchulus\)](#) have agreed to join the committee as the last two reviewers! We were thrilled to receive a lot of interest in helping out and will be mindful of who applied and try to loop them in to contribute where possible.

Summary

We want to start a community-led grants program to fund ideas submitted by the Aave protocol's community, with a focus on empowering a wider network of community developers. We would like to share our proposal and receive feedback from the community.

ARC Rationale

Aave has an ecosystem reserve of ~\$1.1B or ~3m AAVE as of 4/9/21, which is available to fund growth and community initiatives, part of which could be used to fund grants. However, it is currently not easy for the community to allocate from the reserve to fund proposals.

To promote inclusivity and a more visible and transparent avenue for funding development in the Aave ecosystem, while maintaining the decentralized nature of the ecosystem, we propose a community-led grants program. We are still looking for a good name (if you have fun suggestions in the spirit of Aave, please suggest it!), but for the purpose of this ARC, we'll refer to it as Aave Grants Program or AGP.

The goal of the program is to provide resources to grow the Aave ecosystem in a way that can scale over time. There are many great ideas for improving the Aave protocol bubbling up in the Discord, community forum and other places. We hope to initiate a community-led, transparent process for connecting those developers/creators/innovators with resources needed to go from idea to funded development.

Given the difficulty of decentralizing grants administration, we propose establishing a committee which has the power to administer grants on a discretionary basis. The focus will be on disbursing grant funding effectively and quickly to individuals and teams working to improve the Aave ecosystem.

Proposal Description

Our proposal is inspired by the [Compound](#) and [Uniswap](#) grants programs, which have both received approvals to deploy \$1m and \$750k per quarter, respectively.

We propose to run the pilot grants program over two quarters. We request a max grants budget of \$2m and a max operating budget of \$250k. The operating budget will be used to pay the lead, reviewers, lawyer, and other administrative costs to set up the grants program.

There will be two types of grants that the grants committee can approve:

- Rapid grants: <\$100k
- Simple process to apply for a grant to AGP
- Grant decision expected within 10 days
- Simple process to apply for a grant to AGP
- Grant decision expected within 10 days
- Community grants: \$100k-\$500k
- Applicants post a proposal on Aave's governance forum
- Based on feedback and discussion, the committee can decide to approve these grants

- Applicants post a proposal on Aave's governance forum
- Based on feedback and discussion, the committee can decide to approve these grants

Contributors can also seek grants over \$500k but they will not go through the committee. They will have to be posted on Aave's governance forum and approved through an on-chain vote.

The expenses will be priced in USD terms at the beginning of each quarter. The reviewers will ensure that all unspent funds will be returned to the Ecosystem Reserve at the conclusion of the pilot. If the program is underfunded because AAVE's token price falls significantly, the committee may request the underfunded amount from governance. After running the pilot program for two quarters, the community can vote to continue, modify, or discontinue the program.

Applications will be reviewed and funded on a rolling basis. The applications approved and funded within each quarter will form a funding round which will be tracked, supported and documented.

Documentation of results will be made available to the community at the end of each round, at which point we will solicit feedback from the community. The idea is to start with a rough MVP and evolve through community feedback. We expect to learn a lot about how to do this right in the first 2 quarters and anticipate making changes to the grants program over time through subsequent proposals.

Committee Members

We propose a committee of 8 members: 1 lead and 7 reviewers. The lead will be the organizational backbone of the program and ensure that things move smoothly and efficiently. The lead will likely dedicate a significant amount of time to the program.

Reviewers will process applications, ensure that the lead is acting in good faith and is effective in their role, and will operate a 4 of 7 multisig which disburses funds to grantees. The reviewers will also hold the program accountable to its goals and objectives and return any excess funds to the Aave Ecosystem Reserve. Reviewers are likely to dedicate a smaller amount of time to the program.

Both the lead and the reviewers will serve for a period of two quarters. After two quarters, the grants program and the committee member positions will be up for renewal. This will be put up on the governance forum for a discussion and subsequent on-chain vote.

Members may be replaced during the pilot program, for example, if they find they are not able to dedicate sufficient time to the program. We aim to be as transparent as possible and get feedback on the Aave forum if there are any changes to the committee during the program.

We've had some initial discussions with people who have expressed interest in helping and have added 5 reviewers so far (in addition to Shreyas, who will be the lead). We have two open reviewer slots for the committee. If you are interested in being a reviewer, please reply to this thread with your interest with some basic info on yourself, including:

- Describe your involvement in the Aave ecosystem
- What skills/experience do you bring to the committee?
- Can you commit ~5 hours a week?

We would love to have more members on board committed to growing the Aave ecosystem! The committee so far is composed as follows:

Lead: [Shreyas Hariharan](#) - Llama

Shreyas is the founder of Llama, which helps DeFi protocols and DAOs manage their treasury. He has actively worked on treasury spending, allocation, and reporting. He is working on a treasury strategy for Uniswap and serving as a reviewer for Uniswap grants. As an Aave community member and token holder, he is excited to help grow the Aave ecosystem through the grants program.

Reviewers:

1. [Aleks Larsen](#) - Blockchain Capital
2. [Jose Maria Macedo](#) - Delphi Digital
3. [Imran Khan](#) - DeFi Alliance
4. [Maggie Love](#) - SheFi
5. [Corbin Page](#) - ConsenSys Codefi
6. [Nick Cannon](#) - Gauntlet

7. [Calvin Chu](#) - Independent

Budget

We request a max grants budget of \$2m to distribute grants and a max operating budget of \$250k over two quarters to pay the lead, reviewers, lawyer, and other administrative costs to set up the grants program. This will be funded by the Aave Ecosystem Reserve.

Payments to the lead will be approved by the reviewers and made at the end of every month (i.e., if the program begins on 4/20/21, the lead will be paid on 5/20/21, and the again on 6/20/21 and 7/20/21 based on hours worked). Payments to reviewers will also be made every month based on hours worked.

Any changes to the AGP including renewal of the program at the end of 2 quarters, total quarterly budget and committee compensation will require full quorum.

Committee Compensation

We suggest compensation for the lead roughly in line with the initial Uniswap and Compound proposals - \$100/hr for a maximum of 40 hrs/week. This compensation will be allocated to the AGP multisig from the Aave Ecosystem Reserve as part of the overall funding for the program.

The time commitment for the reviewers is likely to be far lower. The compensation for reviewers will be \$100/hr for a maximum of 5 hrs/week.

Priorities

To help inform the types of grants which are most likely to get funded, we highlight the following target areas:

- Protocol development (including core Aave protocol development, development of higher layer protocols which use the Aave protocol)
- Applications and integrations (front-ends and other applications that use the Aave protocol)
- Developer tooling
- Community (marketing and educational)
- Committees, sub-committees, and DAOs that serve the Aave ecosystem
- Code audits
- Events and hackathons
- Bounties

What does success look like?

We will evaluate the success of the program against the following criteria:

Measurable criteria:

- Growth in the number of grants applications received quarter-over-quarter
- Growth in the number of projects, ideas, and events funded
- Growth in community engagement (e.g. increased activity on forums, Discord, etc.)
- Growth in Aave pools driven by applications funded via grants (e.g. increased TVL, borrow activity, and unique addresses due to apps funded by grants)

Subjective criteria:

- Improved sentiment and goodwill within the community
- Improvement to the Aave protocol's brand and positioning in the market

Timeline / Process

We will organize grant recipients into two 3-month funding rounds. Applications will be accepted on a rolling basis and any grants disbursed during a given 3-month period become part of the corresponding round. Round 1 will be for three months from the day the grants proposal has been approved. For example, if the proposal is approved on 4/21/2021, Round 1 of the grants program will be from 4/21/2021 to 7/21/2021 and Round 2 of the grants program will be from 7/22/2021 to 10/22/2021.

If approved, starting immediately after a proposal is ratified, AGP will begin accepting applications on a rolling basis. The grants committee will determine on how funding is to be disbursed (e.g. milestones, upfront, etc.) on a case-by-case basis. In general, the goal will be to align long-term incentives with the interests of the Aave community and AAVE holders.

At the end of each round, the committee is responsible for sharing all the grant recipients along with amounts and descriptions as part of a transparent quarterly review process. The end of the Round 2 marks the end of the pilot. At that point, the community will decide based on the results of the first two rounds whether or not to continue funding AGP (in the same or an amended form).

Most grants will have 1-2 milestones and recipients will receive about half the grant upfront and half on the completion of a milestone. For more complex projects or larger grants, there may be several milestones and payments could be split across these milestones. AGP will get progress updates from teams and assess the completion of these milestones. This ensures downside protection for the AGP in case the project is unsuccessful or needs to pivot.

The grants will primarily be focused on projects working to improve the Aave protocol. However, a small portion of the budget (5-10%) may be allocated to select projects with a wider scope (e.g. ETH scalability).

If AGP has distributed all grants but has more promising projects to fund, it can propose increasing the budget to governance. However, it is entirely up to the Aave community to vote on whether to increase the budget.

Conclusion

If feedback is positive, the AGP will move to a governance proposal and if ratified, will begin accepting applications for grants on a rolling basis shortly after its approval.

Should the pilot be successful, we could scale the program over time to accommodate more capital-intensive grants (including protocol work) so that it can ultimately become a primary engine of funding in the Aave ecosystem.

We are AAVE holders and are committed to the success of AGP and of the Aave protocol. However, this is an experiment. If it does not work, hopefully we'll have learned how we can implement this better and can help others pursue alternative approaches. We look forward to hearing your comments and questions below.