Title: Reflecting on AGD's Journey and Next Steps

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Date: 2025-01-24

Overview

The following memo reflects on Aave Grants DAO's (AGD) journey, provides an update on the status of AGD's wind-down, and outlines my involvement going forward.

AGD's Journey

Many people I have talked with viewed AGD as a successful grants program that had strong community support. When we announced that AGD would be winding-down this past summer, the news caused some confusion. After taking time to reflect, I have a better understanding of what happened with AGD.

When AGD was first approved by the Aave DAO in May 2021, it served a role that was exactly what Aave needed. At the time, the ecosystem was nascent with different needs, expectations, and dynamics. The Aave Protocol had recently been decentralized to the community, which established the Aave DAO and gave the community access to the Aave Ecosystem Reserve - worth over $1B at the time.

This also created a renewed excitement and passion around building on and contributing to Aave. AGD enabled Aave to capitalize on this momentum, grow the community, and develop what had been Aave's key strength. To paraphrase @stani, "Other teams can fork Aave's code but they cannot fork Aave's community."

AGD empowered a group of individuals, known as Reviewers, to decide which proposals to fund and which to reject. This made sense when AGD initially launched. By empowering Reviewers to make these decisions, AGD was able to:

- Reduce the operational burden of making grants via the governance process; and

- Use the expertise and judgment of Reviewers to determine the proposals that would deliver the highest impact based on the Aave ecosystem's current needs, scope of the proposal and team's ability to execute.

AGD was able to scale quickly, fund a diverse range of contributors, and catalyze growth in the Aave ecosystem. The rise of @ChaosLabs and @TokenLogic as key Service Providers (SPs) after receiving initial support from AGD, exemplifies the high-impact wins that AGD delivered.

Over time with new SPs emerging, Aave releasing new developments like GHO, and the overall ecosystem maturing, it became harder for AGD to maintain the necessary community support and trust in its decisions. In other words, AGD worked until it didn't.

For example, since AGD operated with a broad funding mandate, as new SPs joined, their scope often overlapped with areas AGD had awarded grants. While there were no SPs when AGD launched, there have since been over a dozen different teams working directly for the Aave DAO.

For the Aave ecosystem, this is positive and, in many ways, the realization of AGD's original mission: to build a strong contributor base that can support the Aave ecosystem and ensure it thrives.

From AGD's perspective, these changes created new needs, expectations, and dynamics. Disagreement and questions began to arise over:

1. What goal should grant funding be trying to achieve?

2. How is progress towards this goal measured?

3. What grants should be awarded to achieve this goal?

Even if the Aave community could agree on AGD's funding goal and how to measure it - as AGD experimented with by introducing RFGs - there was still the opportunity for decisions to be seen as biased because the process relied on Reviewers. Regardless of any disclosures or assurances provided, the community ultimately had to trust that Reviewers would not abuse the power given to them.

Progress in Wind-Down

AGD announced its wind-down in August 2024. Since then, AGD has ceased operations, the team has been disbanded, and no further payments have been made. The last outstanding task is to distribute the remaining treasury.

The remaining funds in the AGD treasury are primarily composed of AAVE, GHO and other stablecoins received from

previous proposals AGD made to the Aave DAO. In addition, AGD received 300,000 OP tokens [after successfully applying to OP Simpak 0 in May 2022](). These OP tokens were distributed with the understanding that AGD would fund projects that support Aave's growth in the Optimism ecosystem.

Asset

# of Tokens Held in Treasury or Allowance

DAI

478.61

GHO

321,768.10

USDC

6,738.05

USDT

7,281.89

SAFE

5,243.26

AAVE

2,275.81

OP

259,221.75

Operational Update and Next Steps

I have explored options that could solve these issues and distribute AGD's remaining treasury in a way that maximizes impact for the Aave DAO. However, I cannot see a path forward for AGD with myself being the one to steward AGD forward. As such, I have stepped down as lead of AGD.

My crypto story will always include Aave and I am grateful for the opportunity I had to serve the Aave DAO. I want to thank everyone who supported AGD, all the people I worked with and met along the way, and of course all of the grant recipients who dedicated themselves to making the Aave ecosystem a better place.

Although AGD is winding down, capital allocation remains key for the Aave DAO. The remaining funds in AGD's treasury present an opportunity for the Aave DAO to maximize the value received from the funds already distributed to AGD, serve as a testbed for new experiments, and help inform the future of capital allocation in the Aave ecosystem.

With or without AGD, Aave has resources to allocate to fund ecosystem growth; tokenholders cannot be expected to handle all ecosystem growth funding on a case-by-case basis due to overhead, and individual delegates or SPs will be subject to the same bias and concerns as AGD.

The question is not whether Aave will need to distribute capital in the future. The question is, how can Aave distribute capital in a way that can maintain alignment with the ecosystem and the trust of the community.

In this spirit, I would encourage the community to present proposals to the Aave DAO on a path forward to distributing the remaining funds in AGDs treasury and concluding its wind-down.