

# Proposal to fund the Protocol Guild Pilot via a Lido Grant

Authors: [Trent](#) (PG Member), [Tim](#) (PG Member), Vasiliy Shapovalov (Lido)

## Abstract

This is a signaling proposal for a grant which will direct funding to the [Protocol Guild](#), a vested split contract composed of Ethereum core protocol contributors.

## References/Useful links

- [Protocol Guild Docs](#)
- [Announcement Blog Post](#)
- [Stateful Works](#)

## Context

1. As a credibly neutral, maximally uncapturable infrastructure with no block reward, Ethereum doesn't offer the same token incentives as applications or L2s. However, the protocol still needs to attract and retain talent to continue to evolve the protocol. As the broader ecosystem continues to grow, competition for talented individuals will only increase. This isn't to fault individuals for rationally weighting financial incentives, or protocols for leveraging the power of tokens - this is just the reality of the current context. We also acknowledge that financial motivations aren't the only or best motivator for people, it's just one tool in our toolset that is currently underleveraged.
2. Existing public goods funding solutions tend to be either too narrow or broad in scope, fail to exclusively target core protocol contributors, or depend on an intermediating institution.
3. The Protocol benefits from contributor continuity. Transmitting institutional knowledge between cohorts is more likely happen successfully the more overlap there is

Here's a longer exploration of the [project rationale](#).

If we believe what we are building is important, then we should structure the incentives to attract more smart people to work on it. After all - "Ethereum is an unprecedented arena for playing cooperative games"; we should try to manifest the novel possibilities made possible by this arena. ([Griffith, 2019](#))

## What is the Protocol Guild?

The Protocol Guild aims to address the challenges mentioned above with an autonomous value routing mechanism: a weighted split contract that includes vesting ([OxSplits](#)). Members will solicit sponsorships in the form of tokens from applications & protocols that build on Ethereum, which gives core contributors the possibility of upside exposure:

- current contributors are rewarded for past work through time-based weighting
- current contributors contribute for longer periods, resulting in less contributor churn
- new contributors are incentivized to join core protocol work

To date, the membership includes over 100 Ethereum core protocol contributors, including researchers, client maintainers, upgrade coordinators, and more, all self-curated (member list [here](#)). This is a broad-based ecosystem effort, not managed by the EF. Members come from 21 different teams and 9 organizations; only 30% of members are directly employed by the EF.

The Guild will act as an autonomous value routing mechanism, operated independently from any existing institution, purpose-built for incentivizing long-term core protocol work.

## PG Pilot

We've spent the last 5 months refining the mechanism, onboarding members, and articulating how the smart contracts should be constructed. At this point, we're ready to test the mechanism's efficacy with a 1 year / \$10mm Pilot

. These are intentionally modest parameters to make sure the mechanism operates smoothly before graduating to a full-scale fundraising round. The funds for the Pilot would be vested to Guild members over a one year period.

We are currently outreaching to prominent DeFi protocols / L2s to get commitments for this important first milestone. If this pilot is successful, the Guild will proceed with a second round of outreach for a larger amount of funds, vested over several years.

## **Proposal**

We are inviting Lido to be part of this inaugural Pilot in the form of a 2,000,000 LDO transfer to the Protocol Guild's vested split smart contract. This will directly fund incentives to work on Ethereum base protocol development.

Protocol developers should be exposed to the protocols' upside and thus we propose the funding to be in the form of LDO instead of stETH.

## **Motivations for Lido to support the Protocol Guild**

- Lido directly builds a product on Ethereum's base layer and would benefit from funding its development further
- Lido should be among the protocols maximally aligned with the ecosystem it operates in

## **Next Steps**

A snapshot vote to commit to transfer 2,000,000 LDO from Lido treasury to the Protocol Guild vesting contract, which will be deployed in the next few weeks.

Once committed, an omnibus onchain vote to transfer the funds.