

Retroactive Public Goods Funding (RetroPGF) is based on the idea that it's easier to agree on what was useful in the past than to agree on what might be useful in the future.

RetroPGF is a series of experiments where members of the Citizens' House allocate surplus protocol revenue or portions of the RetroPGF token allocation to projects they deem to have provided positive impact to the Optimism Collective.

This is core to the [Optimistic Vision](#) of impact = profit

: the principle that individuals providing positive impact to the Collective receive proportional rewards.

In previous RetroPGF rounds, badgeholders have requested a closer definition and understanding of both impact and profit

, and how they are defined and applied in practice. This post aims to provide guidance to badgeholders on how this can be achieved.

Disclaimer

: This post reflects the Optimism Foundation's vision for RetroPGF. Individual badgeholders may adopt this framework or apply their own

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image

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Overview

The goal of Optimism's Retroactive Public Goods Funding is to retroactively allocate rewards to realize impact=profit

— the principle that positive impact to the collective should be rewarded with profit to the individual. This principle serves as a North Star, motivating the creation of a more productive and sustainable economy.

- Impact

signifies the value a contributor has created for the Optimism Collective.

- Profit

signifies the value a contributor has extracted from the Optimism Collective.

- The gap

signifies the difference between a contributor's impact and profit.

(e.g. impact - profit = the gap)

- RetroPGF fills the gap between a contributors impact and profit, resulting in a state of impact = profit.

Defining Impact

- Retroactive

means that there should be no forward looking assumptions. Only past impact is considered.

Impact measurement should not include any considerations for the future contributions of a project or individual (e.g. how much impact will they have in the future? How important are the rewards to enable their future work?). Future contributions can and should be rewarded in future RetroPGF rounds.

- Impact

measures the outcomes that were created for the Collective.

Impact does not consider the inputs that went into a particular contribution (e.g. how many people have worked on a

contribution or how many hours were spent).

- Each round has a scope which outlines the public goods and impact that are rewarded. In RetroPGF 3, the scope is to reward contribution that have supported the development and adoption of Optimism. There are four impact categories defining this further:
- OP Stack

: Work that enhanced the efficiency, security, resilience, and awareness of the OP Stack.

1. Collective Governance

: Work that provided impact to governance participants of the Optimism Collective, or helped bring new governance participants into the Collective.

1. Developer Ecosystem

: Work that provided impact to application developers in the Optimism Collective, or helped bring new developers into the Collective.

1. End User Experience & Adoption

: Work that provided impact to end users in the Optimism Collective, or helped bring new end users into the Collective.

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Defining Profit

Profit

signifies the value a contributor has extracted from the Optimism Collective. This refers to the Collective as a whole, as well as individual members of the Collective.

"Profit" is not defined in the classical sense of "money earned after paying costs", but defined as the total value a contributor has extracted from the Optimism Collective.

Value extraction may come in different forms. Here are some examples:

1. The Collective paying for a contributor's service or product
2. E.g. Foundation payment of an annual fee in USD to different service providers, such as block explorers
3. E.g. Individual Collective members paying for a contributor's service or product, such as trading fees, ad space, subscription fees, ticket purchases, etc.
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6. The Collective granting OP tokens or monetary rewards for a contributor's services or product
7. E.g. Partner Fund grants, Token House Grants, RetroPGF rewards
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On Venture Funding and other sources of investment

Venture investment is made in exchange for ownership in a project and, therefore, is not considered as profit in this framework. [The initial blog post on RetroPGF](#) outlines how a reliable RetroPGF mechanism, which rewards projects for their impact, can create an investable market for open source projects that would otherwise go unfunded.

Note: This is a common point of disagreement among badgeholders. You're free to consider venture investment in your voting, but enabling future RetroPGF recipients to receive venture funding is a critical component of the [Optimistic Vision](#).

Evaluating profit under imperfect information

Not all projects have accurately reported their profit as part of their application in RetroPGF 3. We encourage the community sourcing of information on profit.

In the absence of reliable information on profit, badgeholders should put special emphasis on projects that are transparent in their reporting of profit

(see definition of profit above). This could send a signal to projects that it is beneficial to their chances of receiving RetroPGF rewards when they transparently report the profit they received for their contributions.

Projects should not be penalised for only providing information that was requested from them in the [Application Form](#).