

Recently, there has been a proposal by SCRT Labs to restructure the Secret Foundation into a non-profit organization (NPO). Given widespread support for the NPO concept, I believe now would be an opportune time for SCRT Labs to signal its commitment to contribute the Ecosystem Pool (15.6m SCRT) to the NPO as well.

Objectives:

- Fulfill the original vision of the Ecosystem Pool
- Reduce incentive misalignment through undelegating the Ecosystem Pool
- Avoid the creation of the redundant Developer Fund Tax in Secret 2.0

Fulfilling the Original Vision of the Ecosystem Pool:

At Secret Network inception, 20m SCRT tokens were allocated to the Ecosystem Pool. Noteworthy is that these tokens were both distinct from Enigma (now SCRT Labs) as well as the team.

If these tokens had been instead been treated as owned by SCRT Labs, then SCRT Labs would have owned a majority of the network at inception (21.18% Team + 17.65% Enigma + 11.76% Ecosystem Pool = 50.59%).

SCRT Labs owning a majority of the SCRT tokens would have conflicted with the notion that the network was decentralized at inception since a majority of tokens can arbitrarily pass a proposal.

The community funds are not controlled by any entity, but rather by the Secret Network as a whole. In order to make use of these funds, a proposal needs to be proposed to the network, and a majority of SCRT holders need to vote and approve it. Proceeds from the community fund are then available to fund the development of the proposed feature.

[https://www.sec.gov/Archives/edgar/data/1816114/000121390020027232/ea126970-1012g\\_enigmampc.htm#a\\_014](https://www.sec.gov/Archives/edgar/data/1816114/000121390020027232/ea126970-1012g_enigmampc.htm#a_014)

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](<https://global.discourse-cdn.com/standard17/uploads/enigma1/original/2X/e/eb79fc5c78aa3c66dfc9019a4783dfb67bca224e.png>)

Additionally, similar to how it has always been the intent for the Foundation to ultimately operate as an NPO, it was also the intent for the Ecosystem Pool to be co-managed with the Foundation. The formation of an NPO means that SCRT Labs could now achieve a tax benefit by contributing the Ecosystem Pool funds to the NPO.

In terms of initial governance, and in the interest of continuing our fast pace of evolution as an ecosystem, the pool will be co-managed by the Secret Foundation and Enigma. We are actively looking for ways to involve more parties in the community in the process of operating the fund. Seeing the success of other network [committees](#), one such option would be to establish a dedicated Ecosystem Pool Committee

which would proactively seek worthwhile endeavors or review proposals.

[Secret Network Tokenomics and Ecosystem Pool - Secret Network](#)

Reduce Incentive Misalignment through Undelegating the Ecosystem Pool

Today, 99% of the Ecosystem Pool is staked. Although this may have the benefit of increasing the longevity of the pool, it is unclear that this is a concern given that over 75% of the original amount remains:

11.2m SCRT - <https://secretnodes.com/secret/accounts/secret1qx3trqprk3780xqnwfurdeq2dtag0cvrw8whq8>

4.4m SCRT - <https://secretnodes.com/secret/accounts/secret1dcn8a9t5r7meas37ra2qgtr6rqae997u3x3lpl>

Additionally, the last time a disbursement was made from the Ecosystem Pool was on August 30, 2022. This is corroborated by the last grant being approved on August 29, 2022.

Since then, an additional 21 grants have been submitted, while 0 have been approved. By undelegating the Ecosystem Pool, it creates an incentive to find worthwhile grants to approve since the benefit of staking rewards is no longer present.

[GitHub](#)

[Issues · scrtlabs/Grants](#)

Repository for grant proposal submissions. Contribute to scrtlabs/Grants development by creating an account on GitHub.

## Avoid the Creation of the Redundant Developer Fund Tax in Secret 2.0

Although not yet passed on chain, there is a proposal in the feedback period for a Developer Fund Tax to replace the Ecosystem Pool. As mentioned previously, the Ecosystem Pool still has 15.6m SCRT tokens, so it is unclear why an additional tax is necessary.

It's noted that with the creation of the Developer Fund Tax, the Ecosystem Pool would be used for other purposes:

one angle we are exploring for the ecosystem fund is to take more concentrated bets in projects building on Secret, in return for a meaningful stake that better align everyone's incentives when building on Secret

### [Secret 2.0: The Next Generation \(Request for Feedback\)](#)

Importantly, the new use of the Ecosystem Pool would translate to SCRT Labs receiving a "meaningful stake" in return for the grants. This is different than today's Ecosystem Pool which provides non-dilutive funding to recipients.

#### Conclusion:

The proposed restructuring of the Secret Foundation into a non-profit organization creates the opportunity for SCRT Labs to contribute the Ecosystem Pool funds to the NPO. This would honor the original vision of the Ecosystem Pool, realign incentives through undelelegation, and avoid the need for an additional Developer Fund Tax in Secret 2.0.

Vote "Yes" if you support SCRT Labs voluntarily contributing the Ecosystem Pool funds to the NPO.

Vote "No" if you believe in the current status quo and wish to maintain it.