Optimism's Retroactive Public Goods Funding (Retro Funding) has been initiated with the vision of impact = profit

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

In previous Retro Funding rounds each Citizen conducted their own assessment of impact and decided how to calculate profit by considering the past rewards received by projects and deducting that amount from impact to arrive at a final OP allocation. In Retro Funding 4: Onchain Builders the Collective is experimenting with using a deliberative process to come to consensus on a definition of profit, which will be universally applied to the retro round. Badgeholders will no longer need to calculate profit, but instead, a collective definition will be applied and subtracted from each voter's assessment of impact.

How the definition of profit will be applied in Retro Funding 4

1. Collecting relevant information from projects

: Within the Retro Funding application process, applicants are asked to provide relevant information on rewards they have received in the past. This information includes past Optimism grants, past grants from other ecosystems, revenue generated and past VC funding. Within the Application review process, it is verified that this information has been accurate; failing to accurately report past grants and funding will result in the removal of a project from the Retro Funding round.

1. Deliberative Process:

The outcome of this deliberative process will be a definition of profit for Retro Funding 4. The profit definition will be a formula, which characterizes how the rewards a project has received in the past should be considered when rewarding its impact.

1. Citizens' House Ratification

: The proposed definition of profit will then be subject to ratification by the Citizens' House. Ratification will require a quorum of 30% of eligible retro round 4 voters and 51% of votes to be in favour. Ratification will take place during Special Voting Cycle #23b

(running from June 13th - June 19th).

1. Calculating impact = profit

: As an outcome of Retro Funding 4 voting, each project will be assigned impact rewards (in OP). To calculate Retro Funding rewards for each project, the ratified profit definition will be used to calculate the amount of past reward units received that are to be deducted from the impact rewards. The ratified profit formula will use inputs from project (see step 1) to define past reward units received for each project, which will be subtracted from the project's calculated impact, resulting in a final OP allocation for each project.

Defining profit collectively instead of individually

In Retro Funding 4 the calculation of profit, defined by the deliberation and ratified by the Citizens' House, will be automatically applied to the voting results. The following are motivators for defining profit as a collective rather than as individual Citizens.

1. Predictability for Optimism contributors

: For Retro Funding to achieve its goal in fostering the creation of public goods which drive value to the Collective it is key for contributors to have predictability about the mechanics of Retro Funding rewards. The more predictable Retro Funding becomes, the more likely it is that contributors will do work with the expectation that if their work has impact, they will earn Retro Funding rewards in the future.

Different applications of "profit" among badgeholders can lead to highly different voting results of Retro Funding rewards among projects

, significantly diminishing predictability. By agreeing on a definition of profit, the Collective can increase the predictability of Retro Funding rewards for contributors. 1. In a survey conducted among Retro Funding 3 recipients, 44 respondents evaluated the predictability of the Retro Funding rewards, giving an average rating of 1.6 out of 5 points. Here, a score of 5 indicates high predictability, while a score of 1 indicates no predictability.

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2. Reduce voting complexity for badgeholders:

In Retro Funding 3, badgeholders voiced feedback that voting is a complex task, which can easily become overwhelming. In Retro Funding 3, badgeholders were not only asked to evaluate the impact of projects, but also consider the past rewards

received by projects, taking both into account in their assignment of Retro Funding rewards. By agreeing on a definition of profit, badgeholders can focus on evaluating the impact of projects, reducing the complexity of the task at hand.

Using Deliberative Process for Collective Definition

The hypothesis for using a deliberative process to create the Collective definition of profit is that it can allow Citizens to align on a topic that would otherwise be difficult to come to consensus on. You can find out more about how deliberative processes work and their proposed benefits in the Experimenting with Deliberative Processes in the Collectivepost. Below are details for the Collective's deliberative process experiment in Round 4. Participants may be provided with additional information, as needed.

1. A subset of 50 Citizens will be randomly selected to participate in the deliberative experiment. Randomly sampling individuals to make governance decisions (also called sortition) is common practice in deliberative democracy as higher quality discussion can be had with a smaller, but still representative, sample of the population. We will also experiment with sortition in retro round 6.

2. This subset of Citizens will deliberate on a topic of relevance to Retro Funding Round 4. The deliberation is facilitated by Missions Publiques and RnDAO, both teams specialized in designing and running deliberative processes in settings ranging from European Commission to the Cosmos ecosystem. This subset of Citizens will be provided with balanced information on the topic to be debated in advance of the deliberations. Participants will work in two sessions:

3. Thursday, May 30 from 16:30-18:00 UTC time (12:30-14:00 Eastern // 9:30-11:00 Pacific)

4. Thursday, June 6 from 16:30-18:00 UTC time (12:30-14:00 Eastern // 9:30-11:00 Pacific)

5. Thursday, May 30 from 16:30-18:00 UTC time (12:30-14:00 Eastern // 9:30-11:00 Pacific)

6. Thursday, June 6 from 16:30-18:00 UTC time (12:30-14:00 Eastern // 9:30-11:00 Pacific)

7. Between the two sessions, the community will be able to comment on the draft output of the deliberation on the governance forum. Comments by the community will be used to inform the ongoing discussion. In addition, moments of the sessions will be opened to the full Citizens' House. This allows for the broader community to better understand and trust the decision-making process. The full Citizens' House will ratify the output of the deliberative process before Round 4 voting begins. The Foundation will prepare a definition of profit, which will be applied in case the ratification of the policy recommendation by the deliberative process fails.

8. The ratified outcome will be incorporated directly into Retro Funding 4's impact metric calculation to allocate resources.

This thread will be used to provide updates on the R4 deliberative process experiment as it evolves.