Thank ARB by Plurality Labs - Milestone 2: Scaling Value Creation in the DAO

This proposal is currently on Snapshot. 1/26/24 - 2/2/24

Table of Contents

EDIT 1/25/24

- Updated proposal amount

- Added links to review documentation

- Updated timeline

- Added companion post about Milestone 2 workstream structure

Abstract

6 months ago, Arbitrum DAO voted to fund the first of three Milestones to build and deploy a best-in-class grants framework for Arbitrum (AIP-3). We are approaching the end of Milestone 1. (Review Milestone 1 here). This proposal is to fund Milestone 2.

- Milestone 1: Build best-in-class Pluralistic Grants Framework.

- Milestone 2: Scale and refine the framework.

- Milestone 3: Make the framework self-sustaining, autonomous.

In Milestone 1, our primary objective was to establish the rails for a scalable Pluralistic Grants Framework. Now, with Milestone 2, our primary objective is to show that we can scale our framework to support a truly decentralized and sustainable future.

To do this, as planned, we will be increasing the funds we are allocating. In Milestone 1, we made an annualized request of 6.4M ARB. Our recommendation with Milestone 2 is to increase the allocation fund size to $30 million in ARB annualized, which enables us to optimize for scale and value creation.

In this proposal, we will outline the use of funds and the importance of leveraging these funds immediately. Additionally, we have included a soft voting mechanism in Snapshot to ensure that the amount for Milestone 2 is aligned with the needs and desires of ArbitrumDAO.

Motivation

It's personal

We want to see a world where no matter who you are or where you're from, you can be compensated fairly for the value you create. We want to see an open contribution economy built on digital public infrastructure. It's who we are. It's why we're here.

We want to help create enormous value for everyone in Arbitrum. We can do that by ensuring that capture-resistant governance scales and drives efficiencies across the DAO. If we succeed in this goal, the whole ecosystem wins - including us.

Our discovery process during Milestone 1 generated the following vision and mission which further excites us about the potential and capability of the Arbitrum community: Fueling financial sovereignty by spearheading the evolution of decentralized technologies and governance.

It's time

We must, in the words of [CoinFlip](#), address "pressing demands dictated by the rapidly evolving landscape". A Pluralistic Grants Framework must be in place now. We must not wait, we must not be slow, we must not tread lightly.

We must be willing to take big bets and make big experiments now. Doing so will attract the top talent, it'll signal to the ecosystem that we are here to create enormous value, and it'll allow us, together, to continue to lead this market.

It's about aligning incentives

We believe DAOs can better align incentives than our centralized counterparts. But to date, DAOs haven't generally shown strong alignment: top talent is sitting on the sidelines; value opportunities are sitting on the table; and spending is not strategic.

We believe DAOs have not had the tools and capabilities – a Pluralistic Grants Framework – to support strong incentives alignment. Without those capabilities, DAOs tend to centralize to become more efficient or to suboptimally allocate their treasuries.

We believe in a world in which all Arbitrum citizens are rewarded for the value they create – a world based on open contribution rather than gatekeeping; a world where Arbitrum benefits from the value creation of all its citizens.

Rationale

For a distributed, decentralized community to truly scale and sustain, it must embrace a Pluralistic Grants Framework accessible to all community members. One size does not fit all.

We believe, based on enormous experience across ecosystems – and borne out in our work throughout Milestone 1 – that for pluralistic grants to drive optimal impact, they must embody three components:

1. Onchain, capture-resistant governance

2. Scalable, more efficient grants funding

3. Greater value and utility created for the DAO

Onchain Capture Resistant Governance

A requirement for scaling Ethereum is the ability for decentralized contributors to feel secure that the system will not be "captured" by a centralized actor; that it will realize the potential of truly neutral digital public infrastructure by staying credibly neutral.

"Credible neutrality" unlocks enormous value because builders will make more and bigger investments when they know their investments won't be lost as a result of corruption, bots, or bad actors.

Scalable structures for efficient grants funding

Scaling with speed is a requirement for winning the L2 race. Yet scalability is an enormous problem for all web3 ecosystems. From the culture of airdrop farming to the difficulty of aligning decentralized and autonomous participants, there remain numerous reasons to slow down or centralize – but this is not the goal of Arbitrum.

Arbitrum must credibly scale grants funding to maintain its role as the leading L2. A well-structured Pluralistic Grants Framework can leverage and fund many methodologies for sourcing and funding the best tools and capabilities to the unique needs of scaling decentralized systems.

Greater value and utility created for the DAO

Web3 ecosystems must allocate funds in ways that drive optimal utility, efficiency, and value. Unfortunately, while ecosystems can quickly allocate out tokens, those allocations have often fallen short on delivering the desired value.

Frameworks tend to optimize for fairness over quality. Many choose poor approximations of value like TVL in the first place, thus setting themselves up to pay for acquisition rather than engagement.

A winning framework must understand what communities value, validate their assumptions, elevate high performers, cut low performers, and support broad marketplace adoption. Our Pluralistic Grants Framework – and the technology that supports it – optimizes for the above.

Principles Used to Support Our Outcomes

- Create hierarchies of desired outcomes rather than hierarchies of people & institutions

- Engage the community with aligned priorities to make positive-sum contributions

- Flip from rewarding work, to rewarding value creation validated by peers

- Continue to strive for transparency maximization and codified on-chain governance

- Provide clear contribution pathways & support for builders to find success

- Citizens must be able to grow context and embrace their civic duty

- Legitimacy requires multiple layers of bot and bad actor protection - at scale

- Community-led evaluation removes corruptible single points of failure & cronyism

- Complexity requires continuous sensing and responding to inform adaptive solutions

- Impact is relative to the intended outcomes and cannot be measured in a vacuum

- Data-driven growth depends on clear understanding of engagement & retention

Performance: Milestone 1

In Milestone 1, Thank ARB built the rails for and rolled out the three components of our Pluralistic Grants Frameworks.

- Sense:

We began a continuous "complexity aware" sensing process by polling over 17,000 Arbitrum users, validating those needs in further questioning and workshops, and emerging four strategies for funding aligned with the needs of the DAO.

- Respond:

We quickly allocated 3 million ARB to 12 grant programs which funded almost 200 grantees aligned with the needs of the DAO. These brought top talent into the ecosystem like Open Block Labs STIP data monitoring which will continue to drive value. This one grant alone is likely to save the DAO millions.

- Evolve:

We've used the Thrive Protocol and Karma to power community-led review of every grant the DAO has funded. We've gathered additional data through various feedback modalities and one-on-one conversations. All of this is already informing and improving our work in preparation for Milestone 2.

For an in-depth analysis of our Milestone 1 allocations, experiments, and key learnings, please review[this forum post](.).

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Chart

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While the value of the work we did in Milestone I will continue to emerge over the course of the coming months and years, these are the some of the big wins we are particularly proud of:

- Facilitated the first STIP workshop after the Camelot proposal failed, recruited Tnorm to facilitate the working group, then funded the Open Block Labs data monitoring

- Data infrastructure with Open Source Observer to inform future grant program incentives

- Extensive work with the Arbitrum Foundation to establish DAO compliance procedures

- Firestarter grant given to start the treasury & sustainability working group

- Review of EVERY grant the DAO has funded direct, through us, Questbook, and STIPs

- Built a grant routing system and open database with grant program data

- Sidechain grant by Arbitrum Foundation leading to Arbitrum use at Winter JazzFest NYC

- Financial reporting for the entire DAO by R3gen Finance

Milestone 2 Plan: Scale & refine the framework

The Plurality Labs initial proposal to Delegates:

- Milestone 1: Build best-in-class Pluralist Grants Framework.

- Milestone 2: Scale and refine the framework.

- Milestone 3: Make the framework self-sustaining, autonomous.

Plurality Labs has built out the start of a best-in-class pluralist grants framework for the Arbitrum ecosystem - and, based on feedback and learning, here is how we are preparing for scale:

SENSE: Improve Communications to Mobilize the DAO

Problem

It is hard to maintain context and awareness of DAO contributions. To be a good DAO citizen people must know:

- Where to onboard

- What to know to maintain context

- What are the DAO's biggest needs

- What opportunities exist to create value

- How to contribute value and get paid fairly

Solution

Provide aggregated communications on ThankARB.com segmented to personas. Build on Milestone 1 efforts:

- Create segmented user personas (Delegate, Builder, Grantee, etc.)

- Aggregate communications based on personas

- Improve a weekly communication cadence

- Prove performance by measuring Weekly Active Contributors (WAC)

- Incentivize value creation using tARB (reputation) & ARB (governance rewards)

Impact

Improving communication to mobilize the DAO will have a profound impact on our ability to find top talent and generate innovation.

- Citizens know how to fulfill their "civic duties" in 15-30 minutes per week

- More people will be driven to test protocols by viewing contribution listings

- More social engagement as we coordinate the ecosystem to boost messaging

- More projects will choose Arbitrum because they understand our needs

RESPOND: Coordinate Allocation Systems to Attract Top Talent

Problem

Passing an AIP in our DAO is hard. It requires a builder to be a diplomat, a salesperson, and to not being paid for months. Top builders can better fund themselves elsewhere. Building pathways and structures for participation will minimize starting friction. To do this we need:

- A process for hiring

- A legal structure for efficient KYC/KYB

- A legal structure for hiring DAO employees

- A governance structure for driving alignment & prioritizing how we spend

Solution

Design and test accountability structures. Put the successful ones onchain and under direct control of DAO voters. Fund efforts to:

- Provide a portal to find out how to contribute to the DAO

- Design participation pathways for contributors

- Design legal, technical & governance frameworks that incentivize long term thinking

- Research and design systems to harden capture resistance and limit circles of influence

- Validate structures and frameworks via the community and delegates

- Ensure the composability of DAO grant and procurement structures

- Build onchain checks and balances across the framework

Impact

Workstreams will support continuous impact. Providing pathways will attract top-tier talent to Arbitrum

- Citizens can continuously review a list of work that matches their skills

- Frameworks that encourage capture-resistance will attract builders needing neutrality

- Transfer of mechanisms onchain and out of Plurality Labs' control will build confidence

- Composability will allow us to compare results of multiple frameworks

EVOLVE: Collaborate to Reward Winners and Cut Underperformers

Problem

DAOs struggle to maintain a collective memory which allows successful builders more opportunity and cuts out underperformers. We are currently lacking:

- Winning permissionless contributions can grow into larger responsibilities

- Community-led transactional processing (applications, criteria, impact evaluations, etc.)

- Role/skills based segmentation and reputation

- An open data store housing the collective memory of past grant information

Solution

Build user profiles via survey techniques, data analysis, and testing to enable the DAO to identify expertise, double down on winners, and cut off poor performers. Plurality Labs will deliver:

- User profiles built over time using implicit and explicit information

- Community led review experiments alongside control groups

- Identification of engaged DAO members willing to provide adequate effort

- A culture of continuous evaluation & iteration

Impact

Community-led review will allow us to fairly automate grant pre-processing, criteria selection, eligibility reviews, dispute resolution and appeals, post-grant evaluation of builder success and funding decision success:

- People will be incentivized to use ARB to participate in reviews so they can earn

- Corruption in DAO governance can be addressed by decentralized reviews

- Profiles can allow experts / good actors to quickly earn their value

- The ecosystem can continuously build itself to better leverage and integrate data

Timeline

This will be posted on Snapshot on 1/25/24. If approved, it will move to Tally on 2/1.

PL-ARB Grants Safety Multisig

Funding sent to multi sig: arb1:0xC158b555F0B1ddd7F4D4f97Fd2a9acd144f8e0D4

Deliverables

Q1 & Q2 Prepare for Takeoff & Launch the DAO Structures

- SENSE - Communication

- Baseline Weekly Active Contributors (WAC) by persona segment

- Launch Thank ARB platform improvements for personas

- Monthly progress reports

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- Launch Thank ARB platform improvements for personas

- Monthly progress reports

- RESPOND - Coordination

- Conduct board election for the PL-ARB Grants Safety multisig oversight

- Conduct process for the DAO to hire top talent committee

- Design contributor pathways & begin building on-chain architecture

- Launch the first DAO workstream(s) using on-chain architecture & accountability

- Launch at least 3 "big bets" (details below in Overall Cost section)

- Conduct board election for the PL-ARB Grants Safety multisig oversight

- Conduct process for the DAO to hire top talent committee

- Design contributor pathways & begin building on-chain architecture

- Launch the first DAO workstream(s) using on-chain architecture & accountability

- Launch at least 3 "big bets" (details below in Overall Cost section)

- EVOLVE - Collaboration

- Build dynamic councils using Hats Protocol, DAO personas, and tARB

- Community-led selection, review & evaluations of every grant

- Grant Impact Index (GII) created to illustrate grant efficiency

- Test community-led Thank ARB contribution valuation (tARB)

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Q3 & Q4- Stabilize Grants Orbit and Land the Starship

- SENSE - Communication

- Conduct ongoing surveys of satisfaction with workstreams & Plurality Labs

- Transfer ownership of Thank ARB WAC to workstream

- Transfer ownership of Monthly PL & DAO Reports to the DAO

- Plan for end of year delegate and contributor awards IRL event

- 2024 PL Wrap Up Report

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- 2024 PL Wrap Up Report

- RESPOND - Coordination

- Conduct workstream reviews & create impact report

- All workstreams are fully staffed

- Transfer open grant milestone payouts to the DAO

- Transfer dispute and appeal governance to the DAO

- Host end of year delegate and contributor awards IRL event

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- Transfer dispute and appeal governance to the DAO

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- EVOLVE - Collaboration

- Use community-led review capability to automate milestone payouts & processing

- Community-led eligibility evaluation system available to all grant programs

- Walk-away-readiness-report: Prep for Plurality Labs to walk away in Milestone 3

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- Walk-away-readiness-report: Prep for Plurality Labs to walk away in Milestone 3

Overall Cost

After many discussions with delegates and the results of the forum poll on this post, we have decided to go with one straight forward offer on Snapshot. This amount takes the price volatility of ARB into consideration as well.

Allocation Fund Size = $30 million in ARB using the 30 day moving average price of ARB on the day it is posted to Tally.

Plurality Labs Fee = $3.75 million

- $1 million paid in ARB upfront using the 30 day moving average price

- $1.75 million ARB (using the 30 day ma) paid in a linear distribution over 8 months

- $1 million ARB (using the 30 day ma) locked in a Hedgey Token Lockup contract - locked for 1 year

This makes $2.75 million subject to clawback by DAO vote.

Funding thoughts:

- Funds are 100% performance-based; the DAO can clawback remaining funds anytime

- Community funds held in a community multisig - not by Plurality Labs or ThriveCoin

- A lower allocation fund size means less predictability for onboarding top talent

- We are well-positioned to create enormous value, utility, and efficiency for the DAO

- Our first proposal suggested we would scale from 3 to 30 to 100 million ARB over 3 Milestones.

During Milestone 2 we intend to split our service fee between the dedicated Plurality Labs team and the ThriveCoin team to reflect the services provided. We intend to continuously upgrade the Thank ARB application in line with the needs of the DAO…

2024 Fund Allocation

Sample allocation schedule for 2024 below:

[20% of Fund Allocation] Strategy Layer

- Up to 6 million ARB for priority & specialized workstreams

- Full-time dedicated to Arbitrum

- Maintain context over time

- Fixed in size, don't bloat, and roles accountable onchain

- Prioritize outcomes to be funded to the decentralized action layer

- Priority Streams - DevRel, Growth, Tech, Incentives, Governance

- Full-time dedicated to Arbitrum

- Maintain context over time

- Fixed in size, don't bloat, and roles accountable onchain

- Prioritize outcomes to be funded to the decentralized action layer

- Priority Streams - DevRel, Growth, Tech, Incentives, Governance

- Functional Streams - Marketing, Data, Operations, etc.

[40% of Fund Allocation] Decentralized Action Layer

- Up to 12 million ARB to be allocated by workstreams

- Funds narrow-scoped and time-bound campaigns

- Funds: Working groups, Firestarters, Campaigns, Grant Programs, RFPs

- Allocated using direct DAO voting in experimental meta-allocation models

- Requires multiple iterative rounds to balance the system

- Workstreams compete to allocate larger amounts of the total budget

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- Requires multiple iterative rounds to balance the system

- Workstreams compete to allocate larger amounts of the total budget

[40% of Fund Allocation] Plurality Labs Facilitated

- Up to 3 million ARB for Thank ARB 'Contribution Path' rewards

- Newly set up by persona (delegates, citizens, developers, creatives, etc.)

- Growing citizen context by making it easy to stay informed and engaged

- Reminders and reputation rewards for value creating actions by Arbinauts

- Learn about other ways to add value in the Arbitrum ecosystem

- Engage contributors to decentralize community-led assessments and evaluations

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- Reminders and reputation rewards for value creating actions by Arbinauts

- Learn about other ways to add value in the Arbitrum ecosystem

- Engage contributors to decentralize community-led assessments and evaluations

- Up to 3 million ARB for experimental grant programs allocated by Plurality Labs

- Double down on programs that worked well in milestone 1

- Tools to move Plurality Labs decision making to be onchain & transparent

- Automations to lower costs and improve DAO user experience

- Gitcoin rounds to involve the community and continue sourcing new grants

- Taking shots on new and innovative ideas to test for future scaling

- Double down on programs that worked well in milestone 1

- Tools to move Plurality Labs decision making to be onchain & transparent

- Automations to lower costs and improve DAO user experience

- Gitcoin rounds to involve the community and continue sourcing new grants

- Taking shots on new and innovative ideas to test for future scaling

- Up to 6 million ARB for funding programs to immediately boost action in the ecosystem

- These programs would be selected using our professional discretion

- A few potential programs we would select [could include:] OR [with the help of a board of [key people] to be established for Milestone 2:]

- Arbitrum Accelerator Framework w/ first accelerator programs funded

- Onchain tooling improvements with Arbitrum native builders as guides

- Potential to expand Gitcoin partnership to host all rounds on Arbitrum

- Customized Arbitrum RetroPGF designed for Arbitrum ecosystem

- Data driven allocation strategy using Open Source Observer

- Github dependency funding using Drips

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Team

Plurality Labs

The dedicated team which worked full time on Arbitrum during Milestone 1. We have earned trust in the Arbitrum community, and have an immense amount of experience at the forefront of grants & governance frameworks.

We are working ourselves out of a job through success in our building of a best-in-class pluralist grants framework which provides capture-resistance, scalability, and enormous value creation.

The Plurality Labs team currently has 4 FTE and is looking to hire 3-4 FTE immediately and another 3-4 FTE throughout the year.

Current:

- Disruption Joe - Relations / Strategy

- Shawn Grubb - Compliance / Governance

- Mary Quandt - Behavior Change Specialist

- Feems - Grant Framework Specialist

To Hire:

- Communications

- Project Manager

- Facilitator

- Program Design Specialist

- Grantee Accountability Specialist

ThriveCoin

ThriveCoin and the Thrive Protocol provides the underlying architecture supporting scale and decentralization for our Pluralistic Grants Framework. Without them, we could not have reached the number of followers on Thank ARB on Twitter, mobilized the community to participate in surveys & evaluations, or provided an increase in donation amounts during Gitcoin rounds, among other things.

As a subsidiary of ThriveCoin, Plurality Labs has used ThriveCoin's tech and capabilities, and 16 team members, throughout Milestone 1. The ThriveCoin team will continue to be an enormous asset to us as we drive to scale. We hope the community appreciates the immense amount of additional resources allocated without any additional cost throughout Milestone 1.

Currently servicing Arbitrum:

- Deployment Lead

- Deployment Specialist

- Product Designer

- UI Designer

- 2x Blockchain Developer

- 2x Backend Developer

- 2x Front-End Developer

- Integrations support specialist

To Hire:

- UX Designer

- User Researcher / Persona Strategist

- Data Analyst

Original Poll - Leaving for review

Option 2 below is what we stated we would do in the proposal for Milestone 1. Compare it to this request for the Uniswap grants program allocating $46.2 million USD.

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Which option from the table above would best position Arbitrum DAO for success?

- Option 1

- Option 2

- Option 3

- Option 4

- Do not fund

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voters

Final thoughts

Now is the time. Arbitrum is poised to win. We cannot afford to be slowed down when we are ahead. We are committed to increasing Arbitrum's lead while building interoperable systems which the DAO can take over before the end of our Milestone 3.

We are in a technological race to provide truly neutral digital public infrastructure. Let's keep our foot on the gas. We want to prove that DAOs will be the future and that DAOs will be the killer app that onboards the next 3 billion crypto users.

On behalf of the whole Plurality Labs and Thrive teams, we are excited to continue building the Pluralistic Grants Framework that this ecosystem has embraced. It is something we own as a community. Together, we are spearheading the evolution of decentralized technologies & governance.

We are Fueling Financial Sovereignty.