

# Proposal: Experimental Incentive System for Active ArbitrumDAO Delegates

## Abstract

We introduce an Experimental Incentive System aimed at the ArbitrumDAO delegates with a duration of six months. The goal is to assess the impact of the incentives on the delegates' active participation and involvement in the DAO's governance. This proposal is subject to changes.

## Motivation

This proposal represents an improved version compared to previous initiatives and requests for comments (RFCs):

- [\[RFC-2\] Delegate Incentive System for ArbitrumDAO](#)
- [\[DRAFT\] Experimental Incentive System for Active ArbitrumDAO Delegates](#)

We have developed this new proposal considering the comments and observations provided by other delegates. Our additional motivation lies in the recent increase in proposals and increased activity within ArbitrumDAO. We believe that delegates are the core base of the DAO and should be properly incentivized to maintain active participation, both in voting and feedback on proposals and in the ideation of governance processes.

## Delegate Incentive System

### Before reading the proposal, note how we have decided to structure it

This proposal is structured into four main sections:

- Option 1:

This is our main proposal detailing all the specifications of the incentive system.

- Option 2:

Introduces the implementation of "Karma" to automate certain processes. It's important to note that this option entails additional costs.

- General Summary:

An overview of the proposed items.

- Next Steps:

Voting deadline

## Option 1 - Main Proposal

## Specifications

### Duration of the Incentive System

We've allocated an initial trial period of 6 months. This timeframe should allow us to gather initial metrics to gauge the system's functionality and its anticipated impact.

### Total Number of Delegates to Receive Incentives

We have set the number at 50 delegates

. This figure isn't based on specific reasoning, but we believe it's a reasonable starting point.

## Funding

- Incentives for delegates: 1,500,000 ARB
- Incentive Program Administrator: 25,000 ARB

## Delegate Selection Process

### Requirements

Based on the feedback received, we've opted for a single-tier instead of a multi-tiered program, allowing a wider array of participants, the requirements would be as follows:

- Voting Power

: >50K ARB, corresponding to 194 delegates. (Source: [Arbitrum Delegates and Voting Power - Dune Analytics](#)).

- Delegates to Receive Incentives

: 50.

- Budget Allocation

: 1,500,000 ARB (5,000 ARB per delegate per month).

- Historical Participation Rate (Tally)

: Over 25%

Note:

- So following this model, the top fifty delegates - defined by their final score - within the range, would be compensated
- The 5000 ARB per month is the maximum amount a delegate could earn, but this amount could be lower depending on their score.
- Certain votes won't be counted towards the Tally Participation Rate, as detailed in the following links:
  - [Core Test Proposal](#)
  - [Treasury test proposal](#)
  - [\[OLD\] AIP-1.1 - Lockup, Budget, Transparency](#)

### Incentive Program Application

Delegates matching the requirements must confirm their participation in the Incentive System in the forum (a dedicated channel will be established for this). They must post using the template provided below, within a 7-day application window.

Incentive Program Confirmation Template:

- Forum Username (Link):
- Twitter Profile (Link):
- Snapshot Profile (Link):
- Tally Profile with Exact All-time Participation Rate % (Link):

Note:

- Failing to send a confirmation message will exclude you from the incentive system, regardless of eligibility.
- Applicants should ensure accuracy in numbers and links, facilitating quicker verification.

Eligible delegates for the incentive program will be announced on the forum.

## Scoring and Framework

To determine which delegates will be paid on a monthly basis, we will use a point system and a framework that will be made public.

[

image

960×297 24.8 KB

](https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/8/8b298d1231f948aa7a35f0b1a9dbd948de9d4850.png)

[Framework - Experimental Incentive](#)

## Details: Terminology, Symbols, and Formulas

We explain in detail the framework and points system:

- Delegates (DD):

Delegates with right to access to incentives

- Ranking (TOP):

Delegate's position in this Dune table <https://dune.com/pandajackson42/arbitrum-delegates-and-voting-power>

- Funds ARB (FARB):

The amount of ARB allocated per month to the delegates' payment

- Activity Weight (%):

Represents the weight assigned to each key activity to be measured in delegates. \* Participation Rate (PR) - Weight 20:

Percentage of the total participation of the member in votes. This parameter is extracted from Tally. This is the only parameter that is not reset monthly. \* PR% formula:  $(PR * 20) / 100$

- PR% formula:  $(PR * 20) / 100$
- Snapshot Voting (SV) - Weight 15:

Percentage of delegate participation in snapshot voting. This parameter is reset at the beginning of each month. \* Tn:

Number of total proposals that were sent to snapshots for voting in the month.

- Rn:

Number of proposals the delegate voted on in the month.

- SV% formula:  $(SV(Rn) / SV(Tn)) * 15$
- Tn:

Number of total proposals that were sent to snapshots for voting in the month.

- Rn:

Number of proposals the delegate voted on in the month.

- SV% formula:  $(SV(Rn) / SV(Tn)) * 15$
- Tally Voting (TV) - Weight 25:

Percentage of delegate participation in on-chain voting in Tally. This parameter is reset at the beginning of each month. \* Tn:

Number of total proposals that were sent to Tally for voting in the month.

- Rn:

Number of proposals the delegate voted in Tally in the month.

- TV% formula:  $(TV(Rn) / TV(Tn)) * 25$

\*

- Tn:

Number of total proposals that were sent to Tally for voting in the month.

- Rn:

Number of proposals the delegate voted in Tally in the month.

- TV% formula:  $(TV(Rn) / TV(Tn)) * 25$

\*

- Communicating Rationale (CR) - Weight 25:

Percentage of communication threads with the justification of the delegate's vote on the proposals sent to snapshots and Tally (if necessary if the vote does not change). This parameter is reset at the beginning of each month. \* Tn:

Total number of proposals that were submitted to a vote.

- Rn:

Number of real communication rational threads where the delegate communicated and justified his/her decision.

- CR% formula:  $(CR(Rn) / CR(Tn)) * 25$

- Tn:

Total number of proposals that were submitted to a vote.

- Rn:

Number of real communication rational threads where the delegate communicated and justified his/her decision.

- CR% formula:  $(CR(Rn) / CR(Tn)) * 25$

- Commenting Proposals (CP) - Weight 15:

Percentage of proposals where the delegate asked questions or generated important discussion for the advancement of the proposal. This parameter is reset at the beginning of each month. \* Tn:

Total number of formal proposals posted on the forum.

- Rn:

Number of actual proposals where the delegate made a genuine and quality contribution. Spam messages will not be considered.

- CP% formula:  $(CP(Rn) / CP(Tn)) * 15$

- Tn:

Total number of formal proposals posted on the forum.

- Rn:

Number of actual proposals where the delegate made a genuine and quality contribution. Spam messages will not be considered.

- CP% formula:  $(CP(Rn) / CP(Tn)) * 15$

- Bonus Point (BP) - Extra +30% TP:

This parameter is extra. If the delegate makes a significant contribution to the DAO, he/she is automatically granted +40% extra TP. This parameter is at the discretion of the program administrator. This parameter is reset at the beginning of each month

- Participation Rate (PR) - Weight 20:

Percentage of the total participation of the member in votes. This parameter is extracted from Tally. This is the only parameter that is not reset monthly. \* PR% formula:  $(PR * 20) / 100$

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- Snapshot Voting (SV) - Weight 15:

Percentage of delegate participation in snapshot voting. This parameter is reset at the beginning of each month. \* Tn:

Number of total proposals that were sent to snapshots for voting in the month.

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- SV% formula:  $(SV(Rn) / SV(Tn)) * 15$
- Tn:

Number of total proposals that were sent to snapshots for voting in the month.

- Rn:

Number of proposals the delegate voted on in the month.

- SV% formula:  $(SV(Rn) / SV(Tn)) * 15$
- Tally Voting (TV) - Weight 25:

Percentage of delegate participation in on-chain voting in Tally. This parameter is reset at the beginning of each month. \* Tn:

Number of total proposals that were sent to Tally for voting in the month.

- Rn:

Number of proposals the delegate voted in Tally in the month.

- TV% formula:  $(TV(Rn) / TV(Tn)) * 25$

\*

- Tn:

Number of total proposals that were sent to Tally for voting in the month.

- Rn:

Number of proposals the delegate voted in Tally in the month.

- TV% formula:  $(TV(Rn) / TV(Tn)) * 25$

\*

- Communicating Rationale (CR) - Weight 25:

Percentage of communication threads with the justification of the delegate's vote on the proposals sent to snapshots and Tally (if necessary if the vote does not change). This parameter is reset at the beginning of each month. \* Tn:

Total number of proposals that were submitted to a vote.

- Rn:

Number of real communication rational threads where the delegate communicated and justified his/her decision.

- CR% formula:  $(CR(Rn) / CR(Tn)) * 25$
- Tn:

Total number of proposals that were submitted to a vote.

- Rn:

Number of real communication rational threads where the delegate communicated and justified his/her decision.

- CR% formula:  $(CR(Rn) / CR(Tn)) * 25$
- Commenting Proposals (CP) - Weight 15:

Percentage of proposals where the delegate asked questions or generated important discussion for the advancement of the proposal. This parameter is reset at the beginning of each month. \* Tn:

Total number of formal proposals posted on the forum.

- Rn:

Number of actual proposals where the delegate made a genuine and quality contribution. Spam messages will not be considered.

- CP% formula:  $(CP(Rn) / CP(Tn)) * 15$
- Tn:

Total number of formal proposals posted on the forum.

- Rn:

Number of actual proposals where the delegate made a genuine and quality contribution. Spam messages will not be considered.

- CP% formula:  $(CP(Rn) / CP(Tn)) * 15$
- Bonus Point (BP) - Extra +30% TP:

This parameter is extra. If the delegate makes a significant contribution to the DAO, he/she is automatically granted +40% extra TP. This parameter is at the discretion of the program administrator. This parameter is reset at the beginning of each month

- Total Participation (TP):

Sum of the results of activities performed by the delegate. A TP% of 100 indicates full participation. \* TP% formula:  $PR\% + SV\% + TV\% + CR\% + CP\% + BP$

- TP% formula:  $PR\% + SV\% + TV\% + CR\% + CP\% + BP$
- Payment ARB (PARB):

Final amount of ARB that the delegate will receive based on his TP% and his position in the table. \* PARB formula:  $IF(TP\% \geq 100; 50000 ; (5000 * TP\% / 100))$

- PARB formula:  $IF(TP\% \geq 100; 50000 ; (5000 * TP\% / 100))$

### Parameter summary

- Activity Weight (%):
- Participation Rate (PR) - Weight 20%
- Snapshot Voting (SV) - Weight 15%
- Tally Voting (TV) - Weight 25%
- Communicating Rationale (CR) - Weight 25%
- Commenting on Proposals (CP) - Weight 15%
- Bonus Point (BP) - Extra +30% TP (Total Participation)
- Participation Rate (PR) - Weight 20%
- Snapshot Voting (SV) - Weight 15%
- Tally Voting (TV) - Weight 25%
- Communicating Rationale (CR) - Weight 25%
- Commenting on Proposals (CP) - Weight 15%
- Bonus Point (BP) - Extra +30% TP (Total Participation)
- Total Participation (TP):
- $TP = PR\% + SV\% + TV\% + CR\% + CP\% + BP$
- $TP = PR\% + SV\% + TV\% + CR\% + CP\% + BP$

### Weight and activity considerations

The activities that have been considered in shaping the framework and scope are measurable activities that we believe can positively impact governance.

We have distributed the weight according to the type of activity, as we believe this is the fairest way to do it at the moment.

Surely both the activities and the weightings are far from being the final parameters, ideally after these 6 months we should have a clear idea of how to modify certain parameters or which ones to add/remove.

Note:

We have not included the governance call in the list of activities because we feel that it may be difficult for delegates in different time zones to attend because of the specific timing of the call. Plus some delegates might not want to dox their voices.

## **Total Participation (TP)**

The 50 delegates who conclude the month with a TP score of +60%

will be the ones to receive incentives based on the result provided by the PARB parameter.

Should more than 50 delegates have a TP score of +60%

, only the top 50 scores will be selected.

If fewer than 50 delegates have a TP score of +60%

, only those meeting the criteria will be compensated

Note:

In the exceptional circumstance where scores are identical or more than 50 delegates exceed +90%, the entire month's budget may be distributed amongst all delegates with such scores. This decision is at the discretion of the program administrator.

## **Bonus Point**

Should a delegate propose or actively participate in an enhancement proposal for Arbitrum DAO and execute it, like the [Arbitrum's Short-Term Incentive Program \(Arbitrum Improvement Proposal\)](#), they will be granted an additional +30% to their TP score for making a valuable contribution to the DAO. This could also be a governance process enhancement proposal or a template for grant selection.

We understand that this is one of the weakest points of the proposal and we believe it is very objective. To assess this point we will try to answer these questions

- Is the proposal of interest to the ArbitrumDAO, does it cover any vertical that has not yet been worked on?
- Is the proposal well described, does it have details of the objectives it wants to achieve?
- Does the proposal generate debate among delegates, is there interest among DAO members (for or against) about the proposal?
- Does the proposer exhaust existing resources to demonstrate that their proposal adds value to ArbitrumDAO (governance calls, responses in the governance forum, etc).
- Was the proposal put to a vote: was it a close vote or a resounding no?

When evaluating the bonus points we will try to answer these questions and the administrator will have to upload a post to the forum with the answer and a justification of why he/she grants the bonus point. We also look forward to hearing the community's opinion on the matter.

## **Parameter Snapshot**

When we refer to a month, we consider from the first day of the month 00:00 UTC to the last day 23:59hs UTC of each month. Within these days and hours, delegates have the opportunity to perform all actions to meet the parameters. The month's activities conclude on the last day of the month, so delegates must be punctual.

## **Delegate Responsibilities**

Delegates are responsible for keeping track of their actions. At the end of the month, they have until the 3rd of the following

month to submit a forum post with the following requirements:

- A copy (Link) of the framework with their activity data for that month.
- Additionally, the post must have a summary with all the links including:
- Snapshot voting link
- Forum post link explaining the reasoning behind the snapshot vote
- Tally voting link
- Forum post link explaining the tally vote reasoning (if you have changed your vote)
- Commenting on Proposals link (only those that went to snapshots)
- Snapshot voting link
- Forum post link explaining the reasoning behind the snapshot vote
- Tally voting link
- Forum post link explaining the tally vote reasoning (if you have changed your vote)
- Commenting on Proposals link (only those that went to snapshots)
- The summary should also include:
- Delegate proposal links
- Links to any significant contribution (discussion, questions, suggestions, etc.) made to a proposal.
- Delegate proposal links
- Links to any significant contribution (discussion, questions, suggestions, etc.) made to a proposal.

Note:

- Delegates failing to post the requested information will not receive incentives.
- To avoid forum spam and disarray, we will ask the facilitators to add a channel for the incentive system so delegates can input all their information there.

## **Incentive System Administrator Responsibilities**

After the delegates post and present their results in the framework, the incentive system administrator has 10 days to gather all the information, review, verify, and unify it. Then, present all the unified data on the forum in the [framework](#) and attach a summary explaining that month's final result.

Once the final result is presented, delegates have 2 days to file a claim in case of disagreement.

## **Dispute**

Delegates have a 2-day window to dispute if they disagree with the results presented by the Incentive System Administrator.

To raise a dispute, they must do so via a forum post with the following template:

- Title: Dispute
- Username
- Reason for dispute (be detailed)

The system administrator must promptly address the issue, resolving it within a maximum of 2 days.

## **Incentive System Ban**

Should a delegate or any community member attempt to deceive or game the incentive system, they will be banned. This decision is at the discretion of the program administrator.

We must remember that this system is experimental, and we hope for community members' cooperation for its success.



## Payment Execution

If all goes according to plan, the delegate payments are expected to be sent as a proposal to Tally, with full details of the payments, between the 16th and 17th. This will be repeated for 6 months so that the DAO can control the incentive program and cut it off whenever it wants.

Payments are made in ARB tokens.

## Considerations

Like every new and experimental system, there may be delays, so please be [patient](#).

Estimated schedule:

[

image

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](https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/d/d34e8be25f8cdf200441963a235a338e497fdb1.png)

## Administrator Perspective

1. Start of the month: Track delegate participation in governance.
2. Last day of the month: Begin collecting delegate posts from the forum.
3. Review all the information, check for accuracy, and compile it into the framework.
4. Establish the results within the given timeframe.
5. If everyone agrees, send a proposal to Tally with the payment details, to be voted on.
6. Keep the DAO informed

## Incentive system administrator

Given the short duration of the program and the lack of a DAO Facilitator, SEED Latam is willing to assume the administration of this program. This means that our delegation won't participate in it and that the administration won't be carried out by myself, but by the organization SEED Latam.

However, we're also open to a group of delegates or potentially a third party administering this program, in which case we would obviously provide any assistance necessary.

For the administration of said program, the budget would be 25,000 ARB. This payment will also be divided into 6 months and will be sent in the proposal to Tally along with the payments to the delegates. In this way, the DAO will have control over the administrator.

# Option 2 - Karma automation for delegate incentive program

## Features summary

Karma will develop features to enhance administrator efficiency and provide transparency to the Arbitrum community. The features that will be built include:

1. Automated fetching of all delegates with Voting Power (VP) over 50k, along with their details.
2. Profile display for each delegate, showing their voting history and voting reasons they post on Snapshot, Tally or Forum.
3. Calculation and display of PR, SV, TV, CR, CP (TBD if CP can be automated) for each delegate as specified in the proposal.

Karma will implement automatically fetching delegates' forum data

1. Functionality for the Administrator to allocate Bonus Points.
2. Computation and presentation of the final Total Points (TP) and PARBB for each delegate on: [arbitrum.karmahq.xyz/delegate-compensation](http://arbitrum.karmahq.xyz/delegate-compensation)

.

This automation eliminates the need for delegates to manually report their monthly activities.

## Timeline

- Week 1:

Collaborating with administrators and community members to finalize the project requirements.

- Weeks 2 and 3:

Initiating the sprint to design and develop all the features

- Week 4:

The product will undergo comprehensive end-to-end testing and be deployed to production. At this stage, the community will gain full access to all features.

- Week 5 and Beyond:

Implementation of bug fixes and enhancements based on insights and feedback gathered.

## Payment Schedule

- Payment 1:

10k ARB when the proposal passes and the project is kicked off.

- Payment 2:

10K ARB on the successful launch of the product (After week 4 per the timeline above)

- Payment 3:

10K ARB 2 months after launch as we continue to fix bugs and make enhancements (week 12 of program kickoff)

Karma payments will also be executed from the DAO and tracked by the program administrator.

## Cost

- 30000 ARB

## SEED Latam Commitment

Seed Latam is committed to monitoring the proper functioning of Karma and collecting feedback from the community on the dashboard's performance. We also commit to collaborating with Karma so that the dashboard meets the needs of the incentive system.

As with Option 1, we are also open to having a group of delegates or potentially a third party administer Karma's progress and the program, in which case we would obviously provide all necessary assistance.

The budget for the administration of the program for this option would be 20,000 ARB. This payment will also be divided into 6 months and will be sent in the proposal to Tally along with the payments to the delegates. In this way, the DAO will have control over the administrator.

## Disclaimer

SEED Latam does not have any commercial relationship with Karma nor does it receive any payment from them for incorporating them into this proposal.

The only link between SEED Latam and Karma is that both want the success of the Arbitrum ecosystem.

## Overview

## Proposal overview

### Duration of the incentive system

- 6 month

### Total Number of Delegates to Receive Incentives

- 50 delegates

### Selection process

- Voting Power

: >50K ARB, corresponding to 194 delegates. (Source: [Arbitrum Delegates and Voting Power - Dune Analytics](#)).

- Delegates to Receive Incentives

: 50.

- Budget Allocation

: 1,500,000 ARB (5,000 ARB per delegate per month).

- Historical Participation Rate (Tally)

: Over 25%

Eligible delegates must confirm their participation in the incentive system by posting a message on the forum.

## Key Points

### Scoring

- Option 1:
  - [Framework - Experimental Incentive](#)
  - [Framework - Experimental Incentive](#)
- Option 2:
  - Karma Delegate Dashboard
  - Karma Delegate Dashboard

### Minimum score to receive incentives

- TP= +60%

### Bonus Point

- +30% TP

### Parameter Snapshot

- Last day of the month 23:59 UTC

### Dispute

- 2 days

### Payments

- On the 16th-17th of each month a proposal is sent to Tally for delegates to approve payments.

### Incentive system administrator

- SEED Latam / Any delegate or entity willing to collaborate

## Total Cost

- Option 1

- 1,500,000 ARB Incentives
- 25,000 ARB Admin costs
- 1,500,000 ARB Incentives
- 25,000 ARB Admin costs
- Option 2
- 1,500,000 ARB Incentives
- 30,000 ARB Karma development
- 20,000 ARB Admin costs
- 1,500,000 ARB Incentives
- 30,000 ARB Karma development
- 20,000 ARB Admin costs

#### Note

Costs may vary, since we probably won't give the max amount to every delegate every month, so the cost mentioned would be the max this program would cost assuming we compensate 50 delegates per month for 6 months with the maximum allocation.

## Reports

Whichever option is chosen, SEEDLatam commits to deliver two reports, one after the third month and one after the sixth (and final) month of the program with metrics on its impact, delegates' performance, and expenditures. They will also collect feedback from both the community and participating delegates.

The reports will be a detailed forum post and also accompanied by a community call explaining the metrics and feedback collected.

ArbitrumDAO has the power to:

- Change the direction or parameters of the program when it deems necessary, with a snapshot vote.
- Terminate the program at any time, with a snapshot vote.

## Conclusions

Please note that this initial incentive system is experimental and is not intended to be the final version. With this initiative, we aim to evaluate the performance of the DAO and determine its impact. We also anticipate collaboration from both the DAO and facilitators to ensure its success.

At the end of the six months, SEED Latam commits to delivering a report containing the gathered data and feedback from the governance.

## Next steps

- Snapshot
- Vote for Option 1
- Vote for Option 2
- Against
- Vote for Option 1
- Vote for Option 2
- Against