

The following reflects the views of L2BEAT's governance team, composed of [@krst](#) and [@Sinkas](#), and it's based on the combined research, fact-checking, and ideation of the two.

TL;DR

- We agree that incentives are necessary for the continuous growth of individual protocols but also for the ecosystem as a whole.
- We propose not to rush into creating another incentive program and to agree on a 3-month break once the current incentive distribution periods conclude.
- During the break, we should focus on analyzing the results of the previous programs and design a new, long-term one based on what we have learned.
- Various analyses and reviews have already been conducted; we should focus on connecting the dots and designing the operational parameters of a new program.
- Existing incentives should continue to be distributed as originally planned; this proposal doesn't seek to stop any of those.
- There should be a commitment from delegates not to vote for any program that might be proposed before the 3-month period concludes so we can utilize the full extent of that time frame on iterations and improvements.

Abstract

This proposal seeks the consensus of delegates to temporarily pause incentive programs in Arbitrum for 3 months following the conclusion of LTIPP and STIP Bridge distribution timeframes and utilize that time to structure a perpetual incentives program based on the data and the lessons learned from the programs we've had so far.

Motivation

Ever since the first program ([Short Term Incentives Program aka STIP](#)), the DAO has been jumping from one program to another without effectively reflecting on the data generated by each program. The [STIP Backfund proposal](#) was introduced to fund all the STIP applications that were approved but were not funded because the budget ran out. The distribution for STIP and Backfund incentives was extended to March 2024, while the [Long Term Incentives Pilot Program \(LTIPP\)](#) was introduced in December 2023 and was poised to run from January 2024 to April 2024. Lastly, we had the [STIP-Bridge](#) proposal that was meant to mitigate the 'unfair' advantage that protocols distributing incentives from LTIPP would have over those distributing incentives from STIP & Backfund after the latter programs had expired.

Anyone who followed the discussions around the different proposals and programs is familiar with the fact that time constraints played a significant role in why we didn't stop to analyze the data collected and iterate based on that. We needed to maintain momentum and remain competitive with other L2s, especially while the market was overall bullish.

Things have changed over the past few months, and the need for an incentive program that accounts for all the data that we have collected through the past programs has become apparent. Our proposal is a social agreement (we will post a temperature check vote on Snapshot but there will be no on-chain proposal) to use the 3 months following the conclusion of LTIPP and STIP Bridge explicitly to reflect on the learnings, to design & refine a program based on them, as well as on the feedback of key stakeholders.

We know incentives are a vital part of protocol and ecosystem growth in crypto, and we want to help create a perpetual program that leverages incentives in the most efficient way to create the biggest positive impact on the protocols receiving them.

Rationale

There are already hundreds of data points to review, analyze, and ultimately distill into actionable insights on what works and what doesn't in terms of incentives. From professionally carried out analysis to opinion-article style posts in the forums from stakeholders close to the DAO and the incentive programs themselves, here is a non-exhaustive list of information to use (in chronological order):

- [Proposal to Improve Future Incentive Programs

](<https://forum.arbitrum.foundation/t/proposal-to-improve-future-incentive-programs/18948>)

- [Discussion: Reframing Incentives on Arbitrum

](<https://forum.arbitrum.foundation/t/discussion-reframing-incentives-on-arbitrum/19817>)

- [Serious People: Proposed KPIs for Arbitrum Grant Programs (LTIPP)

](https://forum.arbitrum.foundation/t/serious-people-proposed-kpis-for-arbitrum-grant-programs-ltipp/20416)

- [A New Thesis for Network-Level Incentives Programs

](https://forum.arbitrum.foundation/t/a-new-thesis-for-network-level-incentives-programs/20757)

- [Learnings from STIP: Community Interview Summaries and Notes

](https://forum.arbitrum.foundation/t/learnings-from-stip-community-interview-summaries-and-notes/20916)

- [STIP Analysis (ARDC Research Deliverables)

](https://forum.arbitrum.foundation/t/stip-analysis-ardc-research-deliverables/23438)

- [OpenBlock's STIP Incentive Efficacy Analysis

](https://forum.arbitrum.foundation/t/openblocks-stip-incentive-efficacy-analysis/23687)

- [[RFC] Thoughts on the End-Game Perpetual Incentives Program

](https://forum.arbitrum.foundation/t/rfc-thoughts-on-the-end-game-perpetual-incentives-program/23720)

- [STIP Analysis (ARDC Risk Deliverables)

](https://forum.arbitrum.foundation/c/arbitrum-research-development-committee-ardc/risk-member/33)

- [Memories of a (grantor) cow: thoughts about incentives program and what could be next

](https://forum.arbitrum.foundation/t/memories-of-a-grantor-cow-thoughts-about-incentives-program-and-what-could-be-next/25406)

- [Research Bounty Selections](#) (to be completed)
- Edit (2/10): [Lampros DAO Published their report](#).
- [The ARC's vision on historical incentive programs and its future

](https://forum.arbitrum.foundation/t/treasure-delegate-communication-thread/18873/22)

Before we embark on another incentive program, we should make an effort to incorporate the culmination of all the learnings from the above posts (and others I might have missed) into the design process.

Specifications

The proposal will be submitted to Snapshot a week after this post is published on the forum. If it successfully passes temp-check, the proposed 3-month break from incentive programs will begin on September 17th, given that LTIPP and STIP Bridge incentive distribution timeframe conclude on September 2nd and September 16th respectively.

Within 2 weeks of a successful temp-check, we will facilitate the revival of the incentives working group and invite delegates, researchers who have conducted analysis, protocol builders, and other relevant stakeholders to participate in the working group.

L2BEAT does not wish to lead the working group, and we'd instead prefer to facilitate its creation and then step back and participate in it as delegates by providing our feedback and opinions. We do commit, however, to remaining active in the working group and helping drive the discussion forward.

Once the working group has been formed, it should regularly meet and work towards designing an incentive program that accounts for as many of the insights we've gathered as possible without sacrificing operational efficiency and introducing too many complicated and unnecessary structures.

Steps to implement

1. This RFC collects feedback and goes to Snapshot.
2. The proposal passes Snapshot successfully.
3. We 'revive' the incentives working group and invite all relevant stakeholders to participate.
4. We collectively start designing and refining a long-term incentives program based on all the data we've gathered.
5. On September 17th, the 3-month incentives break period begins.

6. Ideally, by the conclusion of the 3-months break, we will be able to transform the design into an actionable program that can be submitted to the DAO as a proposal.
7. [Optional] If 6 doesn't happen from the working group itself, then we should at least create an overview of principles any future incentive program must take into account in order to be considered by the DAO.

Timeline

The proposed timeline for the incentives detox is 3 months. If involved parties feel that more time is needed to design an incentive program that is as comprehensive as possible, then the timeline can be extended as needed without an additional vote.

Overall Cost

There is no cost associated with the execution of this AIP.