

The [Snapshot](#) temp-check passed on 7/18/23.

Final Version for Tally Last Edit 7/20/23

In discussion with delegates who voted no and through forum feedback, we feel confident moving the vote to Tally with a few changes.

1. TL;DR - We are lowering the total ask. By removing the “buffer” funds and using percentages against funds allocated rather than the entire proposal, we reduce the total by almost 600k ARB.
2. Multisig Management - We’ve included the exact payment address, added the DAO ability to vote to clawback funds, added how Plurality Labs will receive funding, and are requesting delegates reach out to be multisig signers on a 4/6 with 2 PL team members. Also, committing to snapshot governance only needed for the DAO to request changes to the multisig signers.
3. Looking Forward to Milestones 2 & 3 - We reintroduced more details on what the full completion of the project entails including metrics to hit and achievements.
4. Reworded 2 sentences in the Deliverables / Discovery section to clarify misunderstandings.

The feedback we have received is that the changes we are making do not substantially change the content of the proposal and are meant to clarify or add detail. The only substantial change of lowering the total ask is unlikely to move “yes” votes to “no”, but that can still be expressed on Tally if there are issues.

AIP - 3 [Non-Constitutional] Fund the Arbitrum Grants Framework Proposal Milestone 1

Proposer: disruptionjoe.eth

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[A 7-minute video explainer](#)

TL;DR

This proposal requests 3,360,000 ARB (0.07% of the total treasury) to fund the first of three milestones in a comprehensive plan to build an Arbitrum DAO Pluralistic Grants Program.

Milestone 1 is the start of this journey with a funding request that breaks down as follows:

Fund Allocation

- 2.5 million ARB: Funding Ecosystem Development
- 300k ARB: Matching Gitcoin Funding Pools which use Arbitrum
- Total Funds to be Allocated = 2.8 million ARB
- Total Funds to be Allocated = 2.8 million ARB

Services

- 336k ARB (12%): Plurality Labs Services
- 224k ARB (8%): Grant Program Managers
- Total Service Fees (20%) = 560k ARB
- Total Service Fees (20%) = 560k ARB

Proposal Total = 3,360,000 ARB

Successful completion of these Milestone 1 deliverables will be a major value driver for the Arbitrum ecosystem further establishing Arbitrum as the go to scaling solution for Ethereum... Plurality Labs is committing to being held accountable for

the following Milestone 1 deliverables.

Deliverables

At the end of Milestone 1, Plurality Labs will have delivered:

Discover | Facilitate DAO native workshops

- Conduct DAO native sensemaking to find the Arbitrum DAO Vision, Mission, Values
- Clearly define funding priorities including short & long term goals & boundaries
- Establish and confirm key success metrics for the Grants Program
- Scope out requirements for a Gitcoin Grants round on Arbitrum
- Establish clear communications cadences & channels for all key stakeholders to engage with the program

Design | Construct best in class Pluralistic Grants Program

- Identify suitable tools and technology to support a robust, secure and efficient grants program (i.e. Allo)
- Design and process map the end to end grant funding flows
- Design approach, process and channels for sourcing high impact grants ideas
- Design Grantee Registration process and grant pipeline management structure
- Design Grant Program manager application process and assessment criteria
- Work with Gitcoin to set up and launch a Gitcoin Grants round on Arbitrum
- Design credibly neutral grant funding evaluation criteria, reporting structure and cadence

Execute | Facilitate the successful execution of Pluralist Grants Programs

- Onboard and coach Pluralist Program Managers in grant program best practices
- Deploy 2.6 million ARB in funding to programs selected via the Pluralist Program Managers
- Deploy 300k ARB to Gitcoin Grants round recipients
- Oversee grants rounds to ensure they are free from fraud or abuse

Evaluate | Report back on grant funding outcomes

- Publish financial & analytics reports on grant funding value, volume, outcomes and other relevant metrics requested by the community
- Share key learnings and grants program best practices with Arbitrum DAO and the wider web3 community
- Collate community feedback and input on grants programs efficacy and success
- Evaluate, review and iterate based on this feedback to continually improve the overall impact of the Arbitrum DAO grants program

Motivation

We are here because Arbitrum intends to deploy one of the largest DAO treasuries ever to grow their ecosystem. A 10% difference in the allocation efficiency of funds could mean hundreds of millions of waste which would impede Arbitrum's ability to actualize its full potential. It's easy to say, "we can solve these problems later", but we have an opportunity to start on the right track and solve these problems today

The Plurality Labs team has a chip on our shoulder. We have all been in DAOs and have seen how governance can fail, sometimes quickly, sometimes quietly. Our common thread is the shared values of trust, transparency and freedom combined with a passion for helping DAOs solve hard problems.

Issues with fully Centralized and Decentralized Grants Programs

Within web3 we have seen three main vehicles by which Grants Funding can be allocated to builders. Below we have outlined why we believe Arbitrum DAO should take a pluralist approach to grants funding.

Centralised Grants Program: Problems

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- Limited transparency and auditability: A centrally managed grants program may lack transparency in decision-making processes, grant distribution, and fund allocation. This opacity can undermine trust and hinder the overall effectiveness of the program
- Limited community participation: Web3 communities thrive on active participation and collaboration. A centrally managed grants program may not effectively engage community members at all levels of the organization in the decision-making and codesign processes.
- Domain expertise and scale: Volume of grants requests may overwhelm capacity of small centralized team who may also lack domain specific expertise on programs requesting funding
- Bias and limited experimentation: Centralized Grants teams bring their standardized approach to grant vetting leading to a lack of experimentation which creates an inherent selection bias. The selection bias can even be non-malicious as they are biased by forces like being more likely to “open the door” for those who they know or have worked with before.h.

Decentralised Grants Program: Problems

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- Lack of time: Delegates will stop engaging if the request is for more than is reasonable. Reviewing a grant, especially if it is a direct grant for larger amounts can be expected to take from 1-4 hours each. Delegates cannot take that much time.
- Inclusion and accessibility: Navigating the delegates and governance process of a large DAO represents a major lift for any prospective grants applicants. Those able to do so will likely have the best network and most capital, not necessarily the best grants ideas...
- Lack of coordination: With a decentralized grants program, decision-making and coordination are distributed among multiple stakeholders. This can lead to challenges in achieving consensus, coordinating efforts, and aligning priorities.
- Evaluation of impact: It is challenging for the DAO to assess the relative impact of different grants programs if no standardized reporting cadence, key metrics and evaluation criteria is maintained centrally.
- Mitigating risks and fraud: Decentralized grants programs are vulnerable to risks such as fraudulent proposals, mismanagement of funds, and malicious actors. Implementing mechanisms for due diligence, verification, reputation systems and Sybil defense can help mitigate these risks and protect the integrity of grants funding.
- Not fully developed: Even solutions like quadratic funding which lets users directly express their interest still require a program manager. They must shepherd the round and ensure quality fraud protection while making objective decisions about eligibility criteria, user and project appeals, and more. Until we design the open and permissionless protocol to handle these subjective components, the model still has single points of failure.

Launching the Arbitrum DAO Pluralistic Grants program

A Pluralist Grants program provides a perfect middle ground between Decentralized and Centralized Grants programs, unlocking the “best of both worlds.”

At its core the Pluralistic Grants Model will see the Pluralistic Grants Program Allocator onboard 4-6 pluralist grants managers who will be responsible for distributing funds to grant applicants that benefits the Arbitrum Ecosystem. Sourcing and selection of these ideas will use novel combinations of bottoms-up and top-down mechanisms facilitated by Plurality Labs.

The programs will focus on specific needs within the ecosystem and their potential impact, for example, one Pluralist Grants Manager may focus on bringing a novel new technique for fund allocation or deep grants proposal expertise (i.e. Questbook). Another might stand up an Arbitrum gaming specific grants program. This flexibility allows for experimentation

to allow Arbitrum DAO to discover what works best and allows for the specific needs of the Arbitrum ecosystem to be catered to.

Our approach includes a progressive decentralization of the Pluralist Grants Program Allocator. During Milestone 1, Plurality Labs will maintain accountability for sourcing, selecting, reporting on and delivering results of the chosen pluralist grants programs.

Milestones 2 & 3 will see experimentation with decentralized allocation mechanisms in a Proof of Concept stage with the goal of running at least one round of Pluralist Grants Program selection in a fully decentralized way without needing any corrective intervention.

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The Pluralist Grants Programs will be selected after the proposal passes governance and the Discovery Phase is completed.

During the discovery phase, we will gather input from delegates and the broader community to define the vision, mission, and values of the Arbitrum DAO, and determine what needs to be funded.

Once this foundation is established, we will evaluate the best domains and mechanisms for allocating resources and capital to grantees. Pluralistic Program managers will play a crucial role in promoting experimentation, decentralization of decisions, and improved resource allocation outcomes.

We have observed that many previous grants programs has struggled with an inability to source great grant opportunities, which we hope to address in the following ways:

- Applications to be program managers should separate from the applications for grant program ideas
- Create a backlog of “high impact work to be done” be created, allowing competent builders to step to deliver impact for Arbitrum DAO
- Create a list of builders, potential grantees, and those interested in supporting the Arbitrum ecosystem which can be direct towards the “high impact work that needs to be done”
- Robust evaluation and reporting facilitated by Plurality Labs reduce time/effort/reliance on Project Manager and Grantees to demonstrate their success to the community
- Launch a Grant Program accelerator program to provide grantees clear guidelines, training and support to develop a high quality grant submissions

The selection of the Pluralist Grants Programs and their managers will involve a facilitated bottoms-up approach, sourcing ideas, people, and processes. Factors considered in the selection may include, but are not limited to:

- Previous experience delivering grants programs.
- Domain expertise and knowledge
- Ability to source innovate grants projects and support in the maintenance of a health pipeline of grants submission
- Maturity of program specific processes and tooling
- Nature of proposed funding allocation mechanism and data on demonstrated impact/success of mechanism
- Demonstrated involvement with and commitment to Arbitrum ecosystem and its values

This is an exhaustive list, and the criteria for selecting Program Managers will be further refined in the Discovery and Design phase, with input from delegates and the broader community. We are committed to maintaining credible neutrality in the selection process.

With this approach we are confident that the Arbitrum DAO Pluralistic Grants Program will be fair, impactful and ultimately support the growth and success of the Arbitrum Ecosystem.

The Pluralistic Grants model also provides 300k ARB to support matching Gitcoin rounds which run on Arbitrum.

This is not payment to Gitcoin the organization, but a payment to grant recipients in a Gitcoin Arbitrum round we intend to launch. Gitcoin core rounds include support for Open Source Software, Ethereum Infrastructure, & Zero Knowledge. This

aligns with the stated Arbitrum goal of supporting the Ethereum ecosystem while also attracting users which might otherwise choose another L2. It also allows us to tap into support of the Gitcoin DevRel team to help source builders, host hackathons.

Funding grants this way will not only benefit the Arbitrum ecosystem, but enable the Gitcoin product team to prioritize making their Allo protocol available on Arbitrum. By being able to execute pluralistic programs on their Allo protocol allows us an open data substrate which will enable us to compare programs and projects across the pluralist framework. It also allows program managers to use quadratic funding and quadratic voting (if they choose) which require Sybil defense. This is a crucial enabler for the next section.

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Improved Accountability, Transparency and Reporting are key benefits of the Pluralistic Grants model.

Web3 spends 100's of millions annually on different grants and grants programs and to date, there has been little focus on the efficiency of those grant programs or the efficacy of their spend. We intend to build grant program efficiency metrics as well specific grantee project efficacy (or results) metrics.

By using a common framework for executing a plurality of grant programs, we have the ability to identify, track and refine metrics for each unique grant program. Something that has not been done to date, and would be more difficult to do in stand alone grant environments.

By doing this, we can begin to build qualitative data on the efficiency of each distribution method in a way that can identify improvements for that mechanism, but also compare mechanisms across stakeholder groups and use cases. By building these metrics, Arbitrum will be able to parse down the crowded field of grant-execution options and deliver the most effective Grants Program web3 has seen to date.

Grant program execution typically stops when the money has been distributed, and we think that is premature. As part of this program we intend to experiment with a series of existing post-project evaluation tools (after action reviews, qualitative/quantitative metrics, case studies) but add in or invent novel web3 project evaluation solutions (hypercerts, on-chain analysis, panel reviews) to rate every project receiving funding in a way that can demonstrate the efficacy of the spending as it relates to building the Arbitrum ecosystem.

We know there are inefficiencies and fraud in the web3 grant mechanisms; this part of the program allows Arbitrum to make the most of its investments. Doing this will lead to a higher return on the Arbitrum investment and more funding for the most worthy projects, while leaving room to experiment with the novel web3 mechanism that can help us revolutionize the grant process.

Multisig Management

Grants Safety Multisig

On Tally, the request is to send 3.36 million ARB to the [PL-ARB Grants Safety Multisig](#).

arb1:0xC158b555F0B1ddd7F4D4f97Fd2a9acd144f8e0D4

There are two layers of community protection against misuse or abuse of funds.

Gnosis Zodiac OZ governor module

- DAO can clawback funds from multisig direct to its treasury with a vote
- Protects from a corrupted set of multisig signers

Grants Safety Multisig Signers

- A multisig protects from simple wallet hacks
- Protects from having the service provider hold all the funds
- Protects against obvious self dealing or abuse
- Provides a more integrated delegate watching the program closely
- Does not decide how funds are allocated - Only a signer

This multisig is set up with a Gnosis Zodiac OZ governor module looking at the Arbitrum token contract. This means that the DAO can at any point reclaim the funds in this multisig with a vote on Tally. (Quorum is set at 100 million ARB for non-constitutional vote)

Request for Signers

The role of the multisig signer is solely to protect and prevent fraud and abuse such as perceived “self-dealing” by Plurality Labs. They are not expected to actively participate in deciding where funds should be allocated.

This multisig will review, sign and execute all fund disbursement for the Arbitrum DAO Pluralistic Grants program.

During our sessions with the community, we learned that there is not an expectation of any election or term limits for this multisig because it does not actively make any decisions. Instead the requirements should be large delegates (skin in the game), active (will actually sign in timely manner), and has reputation (wants to maintain positive impression).

This vote will enable the DAO at any time to set term limits or request elections and for that request to be executed within 30 days. Governance requests for the Grants Safety Multisig will only require a winning vote on snapshot which meets non-constitutional quorum.

Please reply to this post with your desire to be a signer on the Grants Safety Multisig. Potential signer applications will be reviewed by Plurality Labs before a final list of selected signers are confirmed and onboarded.

Plurality Labs Payment

Upon receipt of 3.36 million ARB, the Grants Safety Multisig will send 30% of the Plurality Labs service fee to the Plurality Labs wallet: arb1:0x76Ae3Af25332F5cd01c312E281685Bb35D7d27eA

The remaining 70% will be streamed to the Plurality Labs wallet over a period of 6 months. This means that if the DAO believes Plurality Labs is performing poorly, they can even clawback the payment to Plurality Labs.

We also intend to use the Zodiac module shared by the Tally team allowing the DAO the ability to clawback funds from the grants program at any time.

Team

Plurality Labs Team

Disruption Joe

Ran grants operations for Bitcoin Grants rounds 8-10 growing gross marketplace value from \$2 - \$10 million. First Bitcoin employee to leave the company and work full-time for the DAO. Started the Fraud Detection & Defense (FDD) workstream. FDD is responsible for stopping over \$3 million in fraud while Bitcoin Grants delivered over \$50 million in funding.

More reading about the work done in the [FDD Review](#). Joe will be supporting overall project management and grants framework design.

Pepperoni Jo3

(on behalf of [r3gen.finance](#))

Cofounder of r3gen, a web3 financial service provider working with clients including Squid, Coordinape, Inverse Finance and Treasure DAO. Previously PwC consulting alumni specializing in Org Design, Operational Excellence and Change. Joined web3 full time at Index Coop where he served on the Leadership Council as Head of People and Community.

More information on the r3gen services and team [can be found here](#).

Mary Quandt

People-first strategic design-thinking and organizational development leader. Partners with global business leaders to accelerate business strategies and execute people- and organization-focused solutions. Leadership approach combines possibility and participation while keeping firm foot in practical implementation. Thrives on building, leading and growing inclusive cross-functional teams to challenge the status quo. Experience includes IndexCoop, US Election Assistance Commission, Johnson & Johnson, Human Performance Institute, GE, Amazon, Martha Stewart and Charles Schwab to name a few.

Shawn Grubb

As former CIO, CEO, and non-profit chairman of the board, Shawn spent his corporate career preparing for DAO governance. Introduced to the blockchain in 2015 he went full-time degen in 2019 but moved to DAOs in 2021 when he joined [Index Coop](#) leading the governance communications and people operations. In August 2022, he joined [Bitcoin](#) where

he currently leads governance

Looking Ahead: Milestone 2 & 3

The overall plan is to deploy a pluralist grants framework which operates in a politically decentralized & capture resistant way. This will fund grants programs in a continuous way that minimizes bureaucracy and increases action while providing accountability as part of the system.

Prior to releasing funds for milestone 2 to begin, Plurality Labs will offer a review of the previous milestone accomplishments and failures... The same process will occur before Milestone 3.

Milestones 2 & 3 are about scaling the frameworks and models we use while iteratively testing them. By the end of Milestone 3, we hope to have built the needed components for the entire process to run autonomously onchain.

Milestone 3 - Completion of the full project

We expect this to take 18 months in total. Each milestone being a 6 month cycle of iterative improvement. At the end of the third milestone we will provide:

Metrics

1. The number of quality active developers building on Arbitrum is growing at an increasing rate
2. The combination of a quality assessment and the nuance of an increasing rate of growth indicates healthy and sustainable growth.
3. Voter participation is increasing as indicated by # of active ARB holders in participating in grants governance.
4. Participation, especially those buying ARB to participate, is a key indicator of ARB value as a governance token providing political decentralization.
5. DAO delegates' satisfaction with Plurality Labs service is improving as measured by NPS
6. The delegate's happiness with Plurality Labs service indicates success as viewed by the delegates.

What will have been achieved

- Capture-resistant governance of the grants program which supports continuous and sustainable funding of the grants program going forward.
- Ability to massively scale allocation amounts such that the DAO can comfortably allocate significant capital to grow the Arbitrum ecosystem by improving sourcing pipelines, standardizing evaluation models, and using multiple allocation methods appropriately aligned to outcomes.
- Improvements in the DAOs ability to sense, make and drive impact and outcomes by bringing the right information to the right decision making apparatus in a way that cuts off poor performance and doubles down on high-impact work.

Voting Options

1. Yes, fund Milestone 1 (3.36 million ARB)
2. No, do not fund Milestone 1
3. Abstain