The Lido protocol hinges on staked ETH as a means to increase the overall security of the Ethereum network, and make this core piece of infrastructure open and available to anybody. Our team onboarded some months ago to support the DAO through building out financial intelligence and improving operational resilience to achieve this goal. We haven't yet found the time to greet the community and explain our own mission in a little more detail! We figured this first report would be a good opportunity to do this, and welcome input from community members who may have ideas about how to do things or would like to contribute themselves.

We would like to help strengthen the Lido protocol as a key component of decentralized infrastructure for Ethereum and other chains, because it increases the security of the networks that it's on. We see the below key missions for our team as a good first step in that direction:

1. Operationalizing a decentralized and resilient DAO

Support the operations and legal workstreams in building out a decentralized and resilient DAO. Some functions and, notably, SaaS and contributor contracting, are being transitioned to services provided by independent, not-for-profit service support companies.

Our goal in supporting this migration is to build out efficient and scalable processes that will help DAO coordination in a resilient way, minimizing any potential risks to individual contractors and ensuring access to basic functionality such as external SaaS providers.

2. Implementing planning, budget and forecasting toolkits

An important part of the overall budgeting and planning toolkit is clear and actionable financial information.

We see this as a continuous marathon rather than a sprint, and are approaching each level of development in sequence, to make sure we master one level of detail before we add another.

→ A. Improve visibility and control over operating expenses

Our first priority was to bring visibility to the protocol's ongoing operating expenses and introduce systematic control mechanisms and budgeting practices.

As part of this first exercise, we formulated bottom-up budget requests for RCC-3 and LIDO-1, for which we have prepared a first report below. We have also recently completed an updated LidoDAO Token Rewards Plan proposal, due to be voted on shortly.

These first steps were about bringing control over operating expenses. For LIDO-2, we will aim to help the DAO coordinate a bottom-up budgeting process that will tie to the broader objectives of increasing network security in the DAO, while staying true to a community-driven and decentralized ethos.

We also have ongoing work supporting resilience improvements, such as the approved LIDO-1 legal research provision.

B. Monitor effectiveness of LDO token issuance

Our next priority is in addressing LDO token use, one of Lido DAO's largest and most controversial line items. LDO has been directed to sustain a broad variety of purposes without strategic clarity over the effectiveness of its use. We have diligently worked to reframe the DAO's perception of LDO by implementing a hierarchy of tokens, beginning with an adequate balance of stable assets, such as DAI, and ending with LDO.

As a result, we are heavily involved in reducing both the sources and amount of LDO issuance. Chief among these sources are the DAO's reWards and Referral programs. In the evaluation of LidoDAO's operating model, we recommended changes to the [Referral Program](#) to align with the objective of delivering a broad and decentralized stETH userbase in a sustainable way to maximize the long-term security of the protocol, i.e. matching the security benefits to the protocol of accrued staking fees with the amount of new deposits.

While the reWards program remains a major source of LDO issuance, the [reWards Committee](#) has aggressively committed to significant reductions and proper documentation of the issuance of LDO. Maintaining liquidity is a core operating expense of liquid staking. That said, work is underway in monitoring the [efficiency](#) of this program to achieve various metrics of liquidity. In the coming months, we expect this program to continue to innovate with current liquidity pools, but to also dramatically improve efficiency with the introduction of [stable : staked asset pools](#).

LDO issuance remains a controversial subject and will continue until such time as the DAO can fully fund operating expenses from protocol surplus. In the interim, we remain focused on reducing the issuance of LDO and maximizing the efficiency of LDO that is issued.

C. i) Introduce top-down pro-forma P&L estimates for the DAO (Ethereum)

The next step will be to reign in control over unit economics and produce overall protocol reports on a regular basis. This will be a crucial—and fascinating!—exercise, as LidoDAO's major source of revenues are in multiple different liquid staked assets for various chains, mostly Ethereum.

Interestingly, while there is substantial scrutiny on both the amount and attribution of yields on various protocols, there is scant data in defining unit costs per product or block. Information obtained should be useful in strategic decision making for LidoDAO, but also for the staking community at large. The ultimate objective is to generate enough sustainable economic surplus to ensure the ongoing sustainability of decentralized network security on Ethereum.

We may seek community input at various stages for the most helpful formats for these reports for decision-making.

C. ii) Introduce top-down pro-forma P&L estimates for all other chains

In a second step, we will roll out this reporting and monitoring to other chains Lido is building out decentralized liquid staking infrastructure for.

3. Designing a long-term plan to manage LidoDAO resources against needs

While helping the DAO organize to achieve its long-term objectives and putting the processes in place to operationalize these in a decentralized and resilient way, we will need to help develop a structured framework for managing LidoDAO's resources to match its operating and long-term needs.

This can range from easy wins, such as deploying the treasury of DAI into the Dai Savings Rate contract (proposal to come shortly) while unused to take advantage of on-chain yields, to more active management of LidoDAO's ETH treasury to maximize exposure to this fundamental asset while minimizing risk to ongoing operational needs.

Interim funding period RCC-3

[RCC-3](#) followed on from two earlier funding rounds for contributors in the DAO. It was intended to serve as a stopgap for the month of October while the DAO transitioned to a continuous funding model starting on November 1st, 2022.

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lido-rcc

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RCC-3 was considerably underspent, largely behind a contingency intended to add a working capital buffer to RCC operations. The RCC proposes to roll the contingency into LIDO-1 and minimize new draws from the treasury, with an intent to return it at the end of LIDO-1 on 30-Apr-2023.

LIDO-1 Update

[LIDO-1](#) was the first round of a continuous funding request, to cover grants for projects from 01-Nov-2022 through to 30-Apr-2023. It follows a transformation in the organization of the DAO following the guidelines explained in the [Lido Contributors Group](#) post.

Two new not-for-profit service support companies joined the ecosystem requested run-rate funding for ongoing support on a number of different workstreams and projects, outlined below. The overarching story is the underspend relative to the budget for most projects, mainly on account of conservatism in the early months and slower than expected ramp up of new projects and contractor agreements.

Notably, in the coming months and particularly in the first few months of 2023, we expect Marketing Grants to ramp up significantly, as well as other investments such as smart contract audits for protocol engineering development across Ethereum and other chains. Some of the under/over spend between Pool Maintenance Labs and RCC has been related to delays in handing over project responsibilities to the company grant framework, which should normalize over the coming months also.

An estimation for the consolidated, pro-forma, view of the functions and workstreams follows. Please note, the below workstream details mix both contractor fees as well as business expenses in the course of delivering specific projects. It is also just presented as a convenience to token holders and does not reflect the underlying economic reality.

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Lido Reporting Master - Google Sheets

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Where funding has been underspent, it will roll over into the next month until the end of the LIDO-1 budget period and subsequently returned to the Treasury. For estimating ongoing funding to each entity, we will only execute [EasyTrack motions, recently approved](#), to the amount needed and leave the excess in the Aragon treasury until required. For instance, we fully expect (and hope) not to have to use contingency and emergency planning approvals–these will remain in Aragon until otherwise required.

If anyone in the community has comments or questions on the above, kindly let us know in this thread or through DM how we can make this data more useful for you.

Further memery

you forget the world cup final is on because you're just doing your part to contribute to ETH's network security by staking and having a good time