Encouraging Responsible Use of Community Pool Funding: The Need for Self-Sustainability in DApps

Dear Community Members,

I am writing to address a growing concern for many within our ecosystem – the reliance of decentralized applications (DApps) on perpetual or full subsidies from the community pool. While we recognize the importance of supporting innovative projects and fostering their development, it is crucial to strike a balance and promote self-sustainability among DApps. In this post, I would like to discuss several key points related to this issue, as well as some additional considerations.

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Issues

Lack of personal investment and risk acceptance in non-public goods

We have observed instances where DApp founders, particularly those building applications that do not serve as public goods, are unwilling to invest their own resources into their projects without persistent financial support. While we do not expect developers to work for free, it is vital for entrepreneurs to demonstrate commitment and accept some level of risk for their products. Founders with skin in the game are more likely to work towards the success of their DApps. By ensuring that support is focused on genuine public goods, we can foster a healthier ecosystem that encourages personal responsibility and long-term success.

Transparency and Risk Signals in Funding Requests

It's important to recognize that some DApps seeking community pool funding might have been rejected by alternative funding sources, such as the Secret Labs grant program, venture capitalists, or others, for various reasons. While rejection alone should not disqualify a project or suggest low quality, we should carefully consider the reasons for rejection and evaluate the DApp's potential success. In some instances, this could serve as a valid "risk signal."

Misclassification of the "public goods" label

Some projects may attempt to secure continuous funding by claiming to be "public goods" that require ongoing support. While genuine public goods may indeed warrant such assistance, other projects might ride the wave of such a label to avoid taking responsibility and risk associated with self-funding or creating sustainable business models. This approach can lead to unsustainable plans, diluting the value for Secret holders and resulting in abandoned, underused, or closed-sourced DApps. Furthermore, some projects may misclassify themselves as public goods by presenting pitches that claim "adoption of our application will benefit the Secret Network immensely." These pitches better resemble those directed at venture capitalists who have tangilbe monetary upside for success, verses pitches aimed at supporting the development of dev tooling, infrastructure, organizational tasks such as dev committees, and other actual public goods. It is crucial for the community to scrutinize such pitches and differentiate between genuine public goods and projects that are disguising their intentions to secure ongoing funding.

Continuous investment and returns

It is important to clarify that continuous investment in non public good projects makes more sense when the party providing the funds receives a tangible monetary or stake based return on their investment if there is a success, unless the project is genuinely a public good. Otherwise it's more like a pure subsidy when other funding sources may be more appropriate. This perspective helps to differentiate between projects that warrant ongoing support and those that do not. This may be possible to do if the pool could have a "stake" of some kind in the project, but more discussion and research would be needed.

Sustainability

If a project's sustainability plan involves selling a product or service or charging a fee, and it is not structured as a public good nor accepted as such by the network, then it is likely not a suitable candidate for ongoing funding from the community pool. In such cases, it is crucial for the project to demonstrate a viable plan for self-sustainability, and prove they are making progress on it

, to justify continued support.

Suggestions

Tiered Funding Model: Promoting Accountability and Efficient Resource Allocation

To further encourage responsible use of community pool funding, it seems essential to push for a tiered funding, milestone-based funding model. This model would allocate funds to projects as they reach predefined milestones or show tangible progress, rather than providing all funds upfront. Sticking to such an approach minimizes risks and ensures that the community pool resources are utilized effectively and responsibly.

For DApps not classified as public goods, initial proposals should clearly specify the total funding requested, along with the specific milestones or stages for which funding is sought. A similar approach may also apply to public goods, depending on the context (e.g., dev committee, API team, testnet team might not have a year-long funding estimate, but should clearly state their contributions and activities). This transparency enables community members to comprehend the overall financial commitment across future milestones and assess funding allocation at each project stage, avoiding unexpected requests that could jeopardize the project's viability and preventing proposers from unfairly benefiting the "sunk cost fallacy" mentality during community voting at cost to the network. By linking funding releases to tangible progress and predefined milestones, we can enhance accountability among DApp founders, fostering a sense of ownership and commitment to their projects' long-term success.

Suggested Milestone Amounts: Striking a Balance between Support and Accountability

In order to strike a balance between supporting DApp development and ensuring responsible use of community pool resources, we could implement a suggested cap on milestone-based funding. For reference, I'm considering the following limits as a guide for our validator votes: a limit of $30,000 (priced in USD), up to half the total for a project divided into two milestones, or a percentage of the total pool assets available per ask. This serves as a starting point for further discussion. It's important to acknowledge that an amount for a network charter should be determined through robust debate and consensus within the community. Aligning with the consensus opinion would be helpful, allowing me to make informed decisions.

This approach shifts the burden to the proposer, requiring them to complete a milestone and demonstrate progress before requesting additional funding. The current dynamic has not been in the community's favor, with an expectation of providing as much funding as possible upfront, potentially favoring the proposer over the broader network. By implementing a cap on milestone funding and fostering a dialogue to establish an appropriate limit, we can create a more balanced and fair environment, promoting accountability, transparency, and a commitment to achieving measurable progress throughout the project's life cycle.

Defining Public Goods

A public good within the Secret Network could be characterized as a service, product, or resource that offers tangible in demand and needed benefits to a considerable segment of the network. Key aspects of public goods typically encompass facilitating the development, operation, and thorough testing of DApps, providing crucial infrastructure-related components, and backing organizational initiatives that collectively contribute to the overall growth and health of the ecosystem. It is important to engage in robust debate and discussion to reach a consensus on a definition that is widely accepted by the community, ensuring a clear understanding of what constitutes a public good in this context.

Transparency

To promote transparency and informed decision-making, DApps requesting community pool funding should disclose their funding attempts from other sources and their outcomes. This information enables the community to better assess potential risks and merits associated with each project. Although some proposers might be hesitant to disclose this information due to rejection concerns, it can serve as a crucial indicator of potential risks that the community might not have considered otherwise. Good proposers should be willing to address such objections and prioritize transparency.

Conclusion

Unfortunately, a review of past funding proposals and their current status would reveal concerning results to say the least, with numerous examples of abandoned projects, non live closed-source solutions that were never delivered, and proposers who cease updates or efforts after they deem their work as concluded.

In conclusion, promoting self-sustainability in DApps who ask for public funding is crucial for the long-term health and success of the Secret Network ecosystem. By thoroughly assessing funding requests, examining public goods claims, and advocating for transparency and risk acceptance, we can allocate community pool resources effectively and responsibly. Encouraging projects to adopt sustainable business models and maintain a clear growth vision will foster an ecosystem driven by innovation, commitment, and value creation for all members.

Special thanks for the constructive feedback provided by various network participants prior to the public posting of this thread. Your input has played a significant role in improving this post.

xoxo,

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