One success metric for the ArbitrumDAO is its ability to embrace an ecosystem of grant programs run by independent organizations who all share the same vision: how to grow the ecosystem of builders and build a better Arbitrum.

To help bootstrap this process, the Arbitrum Foundation will allocate $250,000 USD and support the community to establish alternative frameworks for future grant programs approved by the ArbitrumDAO and as such create a pathway for the creation of multiple GrantDAOs, which can be governed directly by the ArbitrumDAO and operate independently of The Arbitrum Foundation.

We have put forth the motivation below alongside a set of guidelines, but we also encourage the ArbitrumDAO to see this as a stepping stone and it is ultimately up to the DAO to kickstart a long-term initiative to realize it.

Motivation

A decentralized ecosystem ideally has decentralized funding sources. As part of the ArbitrumDAO's mission to maximize decentralization and reap the benefits of such resilience, it is essential that there are several, non-dependent avenues for builders and contributors to obtain support and funding.

There are currently several ways for builders and contributors to obtain grants in the Arbitrum ecosystem:

1. Foundation Grants Program, which is administered by the Foundation;

2. STIP, which is supported by the Foundation;

3. Plurality Labs, which is supported by the Foundation;

4. Questbook, which is run independently of the Foundation.

While all of the above grant programs have been approved by the ArbitrumDAO and thus have been established pursuant to a decentralized vote, it should be anticipated that different grant programs will be administered by multiple entities, potentially even competing against one another for the best and most effective approach for administering a grant program as determined by the ArbitrumDAO. Of course, there remains the option for participants to follow the format of Foundation-supported programs, maintaining flexibility for the Arbitrum initiatives that choose to pursue this path.

Guidance and Recommendations

We wish to take this opportunity to provide any eligible group, who may wish to set up their own Grants DAO, some guidance and recommendations that should be considered alongside best practices that are in the best interest of the ArbitrumDAO.

After all, while the Foundation has an obligation to protect the Foundation and ArbitrumDAO from legal and operational risks in respect to any programs which it administers/supports directly, Grants DAOs selected by the ArbitrumDAO would be entrusted with administering grants directly, subject to basic monitoring and reporting requirements.

This is what we would suggest is included in any Grant DAO proposal:

- Grant DAO Mission

- What is the purpose of the GrantDAO and what does it mean for it to be successful?

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- Group Structure

- Role in GrantsDAO,

- Credentials,

- Compensation.

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- Credentials,

- Compensation.

- Type of grants administered by the group seeking to contribute to ArbitrumDAO

- Audits? Development? Growth?

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- Total grant amount requested (tranches):

- Startup Assistance Grant: the GrantDAO may propose an amount needed to setup the Grants DAO prior to commencing grant-making activities.

- Grants Manager Compensation: the GrantDAO should detail what amount of the proposed amounts requested would be compensation for grant managers.

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- Policies and procedures for grant application, approval and disbursement:

- It should be made clear how grant applications will be reviewed and due-diligence performed, how grant decisions are made and the accompanying appropriate industry standards compliance procedures and documentation implemented by the GrantDAO.

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Additionally, we recommend the following key considerations for any new GrantsDAO:

- DAO Governance.

GrantsDAOs would be governed directly by the ArbitrumDAO and operate (and make grant decisions) independently of The Arbitrum Foundation.

- DAO Oversight.

The ArbitrumDAO will monitor all GrantDAOs. A GrantsDAO should cooperate with the ArbitrumDAO to facilitate any necessary monitoring. This may include transparency reports, performance reviews, checking whether the GrantsDAO is enforcing compliance processes, and whether the GrantsDAO is working in accordance with its stated mission.

- DAO Clawback.

The ArbitrumDAO has the authority to forcefully return any unspent funds from the GrantsDAO back to the ArbitrumDAO Treasury for whatever reason it may deem necessary to do so.

- GrantsDAO Compliance Process.

The GrantsDAO will enforce KYC/KYB requirements according to a compliance policy that is formulated with a reputable law firm that is hired to support their legal entity.

- Smart Wallets.

There should be two smart contracts managing the funds: * Tranche / Vesting Wallet.

Enforces a vesting schedule to release the funds over time.

- GrantsDAO wallet.

Pulls funds from the vesting wallet and enables the eligible group to use the funds for issuing grants.

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- Conditions for Smart Wallets.

The Arbitrum Foundation may claw back funds from the Tranche/Vesting Wallet if instructed by the ArbitrumDAO (or if illegal activity is detected that poses a material risk to the ArbitrumDAO). All grants issued from the GrantsDAO wallet should be subject to a time-delay of ~2 days to enable the GrantsDAO to implement a process to clawback/safeguarding of funds, if for example, the GrantDAO's wallet keys are compromised.

- Fund transfer.

Assuming the GrantDAO proposal passes, then grant funds will be sent differently depending on whether the GrantsDAO is ready (e.g. whether it has formed an entity, completed KYC, and executed a GrantsDAO Agreement): * GrantsDAO has already setup a legal entity.

From the ArbitrumDAO Treasury directly to the Tranche / Vesting Wallet smart contract wallet for that particular GrantDAO.

- GrantsDAO has not yet setup a legal entity.

From the ArbitrumDAO Treasury to the Arbitrum Foundation, which then transfers the funds into the Tranche / Vesting Wallet Wallet when the GrantsDAO is established.

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- Foundation Compliance.

The Foundation will ensure that appropriate KYC and documentation with an authorized signatory satisfactory to the Foundation (e.g. a GrantsDAO Agreement) are completed for any approved GrantDAO, but the Foundation will ultimately defer to the ArbitrumDAO's own diligence processes and decisions for approving any particular GrantDAO.

Conditions To Access Bootstrap Funds

The Arbitrum Foundation has allocated $250,000 USD to support the ArbitrumDAO community (including teams that are already building on Arbitrum, new groups seeking to contribute to the ArbitrumDAO, ArbitrumDAO delegates etc.) to set up new and independent GrantDAOs. It will be spent on a first-come-first-serve basis by engaging leading full service law firms (as provided by international reputable directories)

alongside miscellaneous costs. This initiative should be viewed as a stop-gap until a larger initiative emerges from the ArbitrumDAO.

The funds can be accessed by prospective GrantsDAO applicants if the following conditions are met:

- A temperature check vote (snapshot) that has passed and achieved Quorum;

- There are no suspicions that the GrantsDAO will perform illegal activities; and

- The GrantsDAO agrees to the guidance and recommendations of this program.