I want to kick off discussion for how the incentive grant allocation process could be improved in the next round by proposing a new process. The Arbitrum DAO learned a lot from this STIP and I think we should start figuring out how to iterate on this program now while the experience is fresh in our minds.

The issues

My proposal is meant to address two issues:

1. Grant amounts per project in the STIP were arbitrary and chosen by the projects themselves. Delegates were then forced to vote yes or no on the grant with little practical ability to influence the grant's size. For example, a delegate might have thought that project X should have gotten more like 1M ARB instead of 3M ARB, but their choice was between 3M ARB and zero so they weren't able to express their preference very well.

2. Grant allocations were dominated by established Arbitrum projects. I think these projects probably deserve the majority of the allocation, but I also believe that it is important to encourage newer and smaller projects with grants in order to promote innovation and growth within the Arbitrum ecosystem. The STIP failed to do this in my view because it put new projects in direct competition with established projects for funding.

Proposed solution

I think that this process would address the issues listed above and be a fairer and more effective way of distributing incentives in the future.

1. The DAO authorizes two separate tranches of incentives, one for larger grants and one for smaller grants. For example, the DAO might authorize 50M for larger grants and 10M for smaller grants. Projects are free to apply to either category, but they have to choose one. Newer projects would be encouraged to apply to the smaller category because they would have a greater chance of getting funding by choosing that category.

2. DAO authorizes four grant size buckets per tranche. Ex the larger grants tranche might have the following bucket sizes:

a. Small - 100k ARB

b. Medium - 500k ARB

c. Large - 2M ARB

d. Extra large - 5M ARB

1. Protocols choose a funding tranche to apply for, submit proposals and state how they would use the grant depending on how much they get.

2. When proposals are put up to vote, token holders get to choose between five options per proposal - small, medium, large, extra large, or no grant at all.

3. A vote for a grant of any size is considered a vote in favor. All projects that make quorum and get >50% of votes in favor of a grant are eligible to receive a grant.

4. The amount that an eligible proposal would receive would be calculated as the weighted average of the votes in favor. So if a proposal got 50% of the "yes" votes for a large size (2M ARB) and 50% of the "yes" votes for a medium size (500k ARB), their grant size would be 1.25M ARB.

5. Proposals are ranked by the grant amounts calculated in step 6 from highest to lowest. We then go down the list and award grants to the recipients until the total incentive spend authorized by the DAO in step 1 is reached.