

Delivering on our Promises

Velodrome has prepared a report to OP Governance on the performance of our second grant. We believe that this report will show Velodrome continues to be a force multiplier in the Optimism ecosystem, returning an ever-increasing multiple of value for each OP spent.

Many of the metrics we present will discuss these different multipliers. For total value returned to the ecosystem, external bribe dollars, partners onboarded and liquidity for key trading pairs, Velodrome has become a maximally efficient growth hub for the Optimism ecosystem. In our discussions with protocols, the number-one need to launch and scale on a new chain is liquidity. The combination of our incentive programs make us a one-stop shop to support new ecosystem partners, as evidenced by our success bringing new players into the ecosystem.

We achieved this success while gradually phasing out OP incentives to maintain responsible spend levels as our utilization for our programs increased. We believe this demonstrates our sustainability and longevity as a protocol. However, OP remains in a competitive L2 environment and these incentives continue to make the difference in swaying protocols to come here and influencing their choice to invest here. Our combination of impact and efficiency make Velodrome an incredibly useful tool for OP governance to invest small amounts of limited resources and achieve outcomes tailored to its ongoing needs.

This report will cover each of the promises made and KPIs we laid out [in our initial grant proposal](#). We will also outline our strategy for being good stewards of our OP grant and how we managed our grant spend throughout the long grant time period. We believe this report justifies both the size and duration of this investment by OP governance and we look forward to a discussion about these results.

Stimulus for the Optimism Economy

Velodrome delivers a multiplier effect to OP incentives for the Optimism ecosystem through emissions, bribes and fees flowing to users and protocols. At the time of our grant request, the value multiplier hovered around 2-3x. Since receiving our second grant, we have seen this multiplier increase to over 8x. In other words, Velodrome has delivered \$8 in value to liquidity providers and veVELO voters for every \$1 in OP spent. Capital-efficiency is our core focus. By remaining disciplined and leveraging Velodrome's novel mechanics, the protocol has been able to grow rapidly and maintain a consistently high level of TVL without increasing OP incentives in real terms.

[

Untitled-8

1412x416 25.4 KB

](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/d/d3dc27d506a3a147081bfc21e7ced69fad41f9f.png>)

Attracting partners and capital

A major revision to our grant spend from our Partner Fund Grant to our Governance Grant was the [Tour de OP](#). Bribes to veVoters remain the most efficient way to quickly bootstrap liquidity for protocols. This program was designed to attract bribes and also incentivize ideal behaviors by bribers to increase investment in the Optimism ecosystem. We identified 3 KPIs, increasing the total number of protocols bribing, increasing the number of pools being bribed and an overall increase in total bribes. This also posed a grant spend management challenge for us. If successful, utilization of incentives would increase to unsustainable levels so we have systematically scaled back incentives to maintain a consistent spend while continuing to increase these KPIs.

The program was incredibly successful at attracting an increasing dollar value of bribes while maintaining consistency in our OP spend.

[

Untitled-9

815x482 21.6 KB

](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/a/adcf0f70ebc83451fc774d040e0563d4fdb5f4432.png>)

When put in multiplier terms, we are now attracting over \$10 in bribes to the Optimism ecosystem for every OP spent on matches.

[

Untitled-10

962x591 19 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/3/33f85146685e00d903ab982b2a27742ad7fb1152.png)

In order to achieve these outcomes, we have been engaging with partners to utilize the OP incentives available. Our stated goal was to increase the number of projects bribing during our second grant and we went from 20 to 47, more than doubling the number of engaged partners. (Red months indicate the start of the 2nd grant)

[

Untitled-11

765x473 27 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/6/6f8882016693bc8ff333c5d5006355f42679a6f9.png)

We have also more than doubled the number of pools consistently bribed each week.

[

Untitled-12

756x472 16.5 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/6/62ae2022b57fb62c43a131ca4584d0f6a2947d98.png)

This is in large part due to our active business development. We have engaged with over 107 projects. Of these projects, 41 reached out directly to us as a first point of contact while coming to Optimism. Building liquidity on a new chain is a top priority for new projects and Velodrome's incentive program often made the difference in where protocols chose to invest.

[

Untitled-13

758x476 25.1 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/e/ecbec9dce828e4d2a2f3af648f9ba47cd1813d83.png)

Encouraging long term investment in Optimism

veVELO lockers are invested long term in the success of the protocol and the Optimism ecosystem. We have attracted 34 protocols as lockers both by directly incentivizing locking and by making it a bonus category for our bribe matches. Protocols have averaged a ~30% bonus on their lock during the entire lock bonus time period, which means for every \$1 in incentives \$3.3 value was locked in the Optimism ecosystem for 4 years. As far as we know, this is the only OP incentive program that requires users to lock capital to participate making it uniquely resistant to mercenary incentive farmers and the drawback of typical liquidity incentive programs.

[We have a detailed Dune dashboard that shows protocol locking activity](#) for those interested in further analysis, but here are some highlights based on our stated goals.

Increase the number of protocols locking:

We have seen a large increase in the number of protocols in the Velodrome races. Over 150m veVelo is now locked by 34 protocols who have a long term investment in the Optimism ecosystem.

[

Untitled-14

1232x482 87.6 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/1/144682124f4ea4f1a82f1e413a5dd16963d18fbd.png)

Increase the total veVelo lock rate:

We successfully increased the amount of locked veVelo to 730m and have maintained a 75% lock rate through the majority of this grant cycle.

[

Untitled-15

920×417 21.5 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/b/b451104cbd71a394944b1ea79d4f5471be26618d.png)

Attract protocols to the ecosystem that meaningfully improve layer wide economic activity:

Looking at the Optimism TVL on Defi Llama prominently features several of our most active racers. Some highlights (Stats as of 05/11 on Defi LLama):

- Beefy Finance now has achieved its highest TVL on Optimism of any chain, attracting over \$72 million in TVL.
- Sonne Finance is a homegrown lending protocol that utilizes the Velodrome flywheel to incent locking of its own token by using its Velodrome lock to distribute rewards. It has attracted over \$92 million in TVL.
- Stargate Finance has made Velodrome its liquidity base for its STG token and attracted \$6 million in liquidity during its first week of bribing.
- Inverse Finance has attracted over \$26m in liquidity to DOLA pairs making Optimism its 2nd largest home behind mainnet by a wide margin.

Building liquidity for key ecosystem pairs

The third aspect of our OP incentive program was to efficiently bribe key ecosystem pairs to build liquidity that benefits the ecosystem as a whole.

[

Untitled-16

857×391 15.3 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/f/f2c4f729ec1454757116de5011b5b76799c0b031.png)

We have consistently been bribing 4 pairs equally for the last 12 weeks with 4,000 OP/Week on average. This small bribe has attracted multiples in both TVL and volume and decreases the friction to participate in numerous Optimism protocols. This bribe efficiency reinforces what a valuable tool Velodrome is for OP governance to skate to where the puck is going and build liquidity in anticipation of ecosystem needs.

[

Screenshot 2023-05-18 at 9.07.40 AM

902×398 19.1 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/f/f48f6c80f21bc19873eaaa4e21b8d2526ce0dcc3.png)

Sustainability and Accountability

OP governance entrusted us with a very large grant to be used over an extended time frame. The metrics above show we have achieved the intended impact with our grant. One equally important success has been active and conscientious management of our grant funds. As the utilization of our programs has scaled up, we have consistently scaled back to maintain the amount of OP we are spending each week. These reductions ensured program longevity and sustainability by encouraging organic growth with as few incentives as possible.

Here is an accounting of all of the Velodrome OP spent to date for both grants (grant 2 starts at week 27).

[

Untitled-17

757×472 23.4 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/6/6b5db64ce3780f108fdc1a7e4befcf8e40fe34d9.png)

Conclusion

Both the Optimism Partner Fund and OP Governance has entrusted Velodrome with two grants. We are proud to share that through our responsible management we have far exceeded our goals and expectations we agreed to during the grant-making process. Our incentive programs have delivered increasing multipliers of bribes, protocol partners, capital committed to the ecosystem, and liquidity for key ecosystem pairs. For every dollar of OP spent on Velodrome, we consistently return 6-8x the dollars in ecosystem stimulus, all while maintaining a consistent grant spend on a week to week basis.

In a competitive environment, Optimism's grant programs are a distinguishing feature that can be a powerful way to grow the ecosystem. We believe that incentivizing programs with demonstrated results is critical to ongoing ecosystem growth and achieving the scale required for chain sustainability and longevity.