Workshop & Async Feedback Opportunities

Thanks to everyone who has given feedback so far, it has been incredibly helpful!

We have taken your feedback and crafted a Version 2 of the Arbitrum Pluralistic Grants Program. Our next step on this cocreation journey is to collect your insight on specific aspects of the V2 proposal to allow us to better assess which elements are working, and which need further revisions. . To enable this we are using a tool called Ethelo to help have quality asynchronous conversations. It will help best structure the conversation and lead to better outcomes where everyone has a voice.

OUR MOST IMPORTANT ASK:

Review the new proposal at arbitrum.ethelo.net

Must submit your input and comments by 5pm UTC on Monday, 6/19

OTHER GREAT WAYS TO PARTICIPATE

Open Delegates Workshop - Thursday 6/15 at 8pm UTC

In this one-off event we will be splitting our time between Mural and Ethelo to have a clear conversation with delegates about this proposal.

Add to Calendar

Bi-Weekly Grants & Governance Workshops - Tuesdays at 2pm UTC

(First one on Tuesday, the 20th)

These bi-weekly facilitated sessions will be made open to all delegates and teams/individuals contributing to the Arbitrum ecosystem. Hosted workshops will use design thinking to better understand the problems we are facing, align our conversations, and find better solutions.

Add to calendar

The proposal below has been rewritten based on all the great feedback here and is available for comment here.

AIP - 3 [Non-Constitutional] Fund the Arbitrum Grants Framework Proposal Milestone 1

Proposer: Plurality Labs

Author: Disruption Joe

Reviewers: ccerv1.eth, emu.eth, dennison.eth, nich.eth, zer8   .eth, pepperonijoe.eth, shawn164.eth, azeemkhan.eth, jmcook.eth, boilerrat.eth, jord.eth, ui369.eth, spengrah.eth, griff.eth - Sorry to anyone left off the list who has contributed

A 7-minute video explainer

TL;DR

This proposal requests 5 million ARB (0.1% of the total treasury) to fund the first of three milestones aiming to increase development on Arbitrum, establish a capture-resistant grant allocation mechanism, and make governance participation fun and effective.

The budget breakdown is as follows:

1. 2.5 million ARB (50%): Funding pluralistic grants programs for ecosystem development

2. 750k ARB (15%): Funding direct grants program to decentralize the grants program

3. 1 million ARB (20%): Matching Gitcoin funding pools on Arbitrum

4. 750k ARB (15%): System design, execution, and accountability

Motivation

Finding Escape Velocity

The problem is deep. The DAO could directly vote on Tally for each grant or even for each of the pluralist grants frameworks suggested in this proposal. However, [governor DAO contracts](#) are the only fully decentralized mechanism we have for those collective decisions - and DAOs which have done this have typically [centralized over time](#). We are still missing key aspects of grants/contributor pay frameworks vital to keep the system at a level of minimal viable decentralization.

This proposal has some centralized components, such as the direct grants to research and build out those components which will keep the system decentralized. This kind of build requires high context and expertise. It needs to use centralized management to escape falling into the same wasteful patterns we have found ourselves stuck in as an ecosystem. We know there is a better way, but the decentralized decision making in DAOs has not been willing to fund building it.

This proposal uses the best of centralization and decentralization as tools to escape the centralizing patterns which have plagued DAOs.

This is where the pluralist grants models come in. They are the hyper-decentralized part of the proposal. We propose funding multiple pluralist program managers, each with the autonomy and authority to innovate and improve current decentralized mechanisms to find what works best for funding the key things the Arbitrum ecosystem needs. This program will give each enough funds to run a round, iterate, and show improvement in a second round.

The pluralist grants models compete in a way that creates positive sum outcomes for the ecosystem.

Building Legitimacy

Legitimacy is a critical resource. This proposal aims to increase trust in Arbitrum and drive its usage by establishing best-in-class practices for grants governance.

This proposal incorporates learnings from past grant programs, and aims to describe a corruption and collusion resistant grants framework that addresses the need for DAOs and decentralized systems to have robust governance models. It recognizes that before the Arbitrum 9/12 security council (a part of the constitution which controls Arbitrum contract upgrades) can be replaced with a DAO contract, a capture-resistant governance model that can appropriately allocate capital using optimal funding mechanisms must be established.

Building legitimacy through a decentralized and pluralistic grants framework will demonstrate Arbitrum's commitment to decentralization.

L2 Competition

The Layer 2 (L2) space is highly competitive.

This proposal recognizes the unique opportunity to bootstrap network effects via a compelling grants framework. By offering to match those funding pools on Gitcoin which choose to run their round on Arbitrum, it can attract a significant number of new high-quality users to the Arbitrum ecosystem. Gitcoin's previous grant rounds have shown that developers are a key indicator of a healthy ecosystem, and by leveraging the Gitcoin protocols, Arbitrum can gain network effects that further establish it as the "go-to" L2 solution.

Additionally, the increasing user interest in L2 solutions due to high gas fees provides an urgent window to earn new users and position Arbitrum as their preferred L2 choice.

Rationale

The proposal has been created with the following design principles in mind:

1. Commitment to decentralization.

Arbitrum's commitment to decentralization is reinforced through the proposal's emphasis on a pluralistic grants framework. This framework empowers grant program managers with autonomy while ensuring positive-sum outcomes for the ecosystem. The current governance system often relies on a single point of failure, such as a council, which is prone to self-dealing, collusion or apathy. By introducing political decentralization in fund allocation, this proposal in combination with Milestones 2 & 3, eliminates such vulnerabilities and establishes a more resilient governance model.

1. Fair allocations.

Traditional token-based governance systems fall prey to plutocratic outcomes, governance by the wealthy, due to 1 token = 1 vote. However, Gitcoin's Allo protocol provides an opportunity to use quadratic funding and quadratic voting to achieve

more democratic outcomes and can be paired with the latest sybil defense mechanisms to prevent attacks. Furthermore, by embracing a politically decentralized and pluralist approach (governance by the many), this proposal seeks to eliminate corruptible and colluding points of failure and create a more robust and fair grant allocation mechanism.

1. Sound metrics.

The proposal also highlights the importance of measuring projects' (grantees) active participation in the ecosystem including independent verification of project value creation - demonstrating the ecosystem spending is getting the highest possible value for the investment. The number of people using ARB for governance will be a key metric, as well as additional metrics related to developer activity, contributions to ecosystem growth, grantee NPS, monthly active governance participation, and lowering administrative costs (decreasing bureaucracy).

1. Iterative Governance.

We know there is a plurality of web3 coordination mechanisms available. What is missing is a systemic learning system that can compare mechanism execution and effectiveness across platforms so that web3 can zero in on the most effective, and the Arbitrum network can ensure we are using the most effective available to fund the type of actions we need to grow. Establishing a cadence & cycle for governance experimentation will make this possible.

1. Pluralism.

We hope to support other grant proposals that run side by side with this one. The framework here will allow for controlled experimentation and immediate effects, however, it should not be seen as the top of the grants hierarchy in the Arbitrum ecosystem. If successful, other grant programs will self-select to participate in the framework because of the benefits it provides. Even programs that choose not to participate, but find the support of voters, will have modular components of this framework available to help them succeed.

By embracing a pluralistic grants framework and addressing the need for decentralization, active participation, and cost efficiency, this proposal aims to create a robust ecosystem that fosters trust, attracts quality users, and establishes Arbitrum as a leading L2 solution.

Milestone 1: Breakdown of Budget and Activities

The proposal outlines the allocation of 5 million ARB for the following activities:

A. Funding Pluralistic Grants Programs (2 million ARB)

Immediate funding of Arbitrum Ecosystem Development

A primary goal of Milestone 1 is to immediately kickoff funding Arbitrum ecosystem development. There will likely be 4-6 pluralist grants models which are chosen to run during 2023. Sourcing and selection of these ideas will use novel combinations of bottoms-up & top-down mechanisms facilitated by Plurality Labs. For example, we already ran a contest using JokeDAO to source some fantastic ideas.

The programs will focus on specific needs within the ecosystem and their potential impact. These needs will be identified via DAO native workshop methods being used to build community alignment and consensus on a vision and trajectory for the DAO.

During this first Milestone, it would be most accurate to think of Plurality Labs role as "facilitator" over "manager". It may be best to judiciously select one or two of the grants frameworks to start right away while using more decentralized mechanisms for the other model selections.

We've agreed to collaborate with Saurabh at Questbook to have this model be one of the first pluralist grants programs funded.

Here are a few examples of what might elevate to become a funded program:

- A JokeRace to source nominations of the best ideas to work on for understanding MEV on Arbitrum, then 3 direct grants issued to the best.

- A Retroactive public goods funding (RPGF) round to signal to the ecosystem that work done on Arbitrum is just as likely to be rewarded as work on OP.

- Every week, one grant is given to an innovative developer posting what application they will build using ranked choice voting

- Streams to developers who continuously check in and share their recent builds and don't get booted from other devs - a la Protocol Guild / Build Guild

- A conviction voting model to allow contrarian ideas to surface and find support

- Expertise councils are created to select the best ideas to fund from ideas surfaced via crowdsourcing.

There are an infinite number of ways these can be structured. The ones that are selected will combine a specific ecosystem need with funding mechanism(s) which are best suited to the goal.

On Centralization vs. Decentralization

An important part of this proposal is the understanding that Plurality Labs will exercise some centralized decision-making, especially during Milestone 1, to facilitate the needs of the ecosystem while at the same time learning and preparing to decentralize these decisions. The bottom line is that we will need to quickly deliver and begin ecosystem funding, but the ethos will remain decentralization as our long-term goal.

After 2023, the selection process for grants programs will progressively decentralize. This is important because many DAO grants programs have been subject to a [centralizing force](). Either the council or committee thinks the grantees are good or the projects are out of luck. This leads to self-dealing and corrupting centralization over time. Pluralism allows multiple independent agents to compete at the regulatory level in a way that creates positive sum outcomes for the ecosystem.

We believe this plan for progressive decentralization with accountability milestones will deliver sustainable decentralization faster than any other method.

Lastly, Plurality Labs will NEVER hold the funds intended for the pluralist programs. These will be held by the Grants Safety Multisig. Even the program managers never hold funds. The process for releasing them would look like this:

1. Plurality Labs surfaces great program ideas from the community

2. Plurality Labs sources a program manager who can execute on an idea

3. The program manager writes up a program plan

4. Plurality Labs coaches the program manager and assists their program design

5. Plurality Labs publicly informs the Grants Safety Multisig of program selection

6. Grants Safety Multisig confirms that it is "safe to try" and not corrupt

7. After a funding round, the program manager requests the release funds from Grants Safety Multisig directly to a disperse contract paying out grantees

B. Funding Direct Grants Program (1.25 million ARB)

Centralized process to ensure the system doesn't centralize over time

Plurality Labs will need to fund the higher-level goal of getting the system built in a way that maintains decentralization over time.

In many DAOs, the need to do everything decentralized trumps the initial need to design good frameworks and systems. Instead of consciously using centralization as a tool to avoid pitfalls, decentralization is fully adhered to as a principle which unfortunately keeps leading us to the same centralizing results. This part of the proposal is required to break free from this pattern.

Many don't remember, but the original governor DAO contract was built in a centralized way. So were many of the upgrades since including Uniswap's addition of the merkle claims and Gitcoin's required delegation, not to mention all of Governor Bravo and Open Zeppelin's work.

This direct grants program will ensure that needed components for our ecosystem are built.

This part of the proposal is the most centralized part of the process. Building the onchain systems to decentralize the allocation decisions while also increasing voter turnout will require high context and centralized planning. To maintain legitimacy, Plurality Labs is committing to transparency and checks & balances.

For example, an RFP process will ensure that anyone in the ecosystem can submit a proposal to execute work. Grants Safety Multisig will ensure that when a lowest bid isn't taken, it is justified by team experience or other legitimate reasons.

Projects funded will likely include research and development of the following:

- Staking for governance (quadratic weighted staking)

- Continuous voting (conviction voting or other)

- Flexible voting integration (maintain governance while LPing)

- Community review and flagging modules

- Pluralistic impact review modules

- Onchain appeal mechanism

- Realtime fraud detection & supporting research & development

C. Matching Gitcoin Funding Pools (1 million ARB)

Timing is Right to Gain Market Share

Gitcoin just ran a beta round on their new Allo protocol. As a permissionless protocol, anyone can run a grants round using the voter registry, grantee registry, and funding pool registry. The protocol is working great but the community almost revolted last month because the gas fees were too high!

More immediate impact may come from this than any ecosystem development funding can provide in the short term. These rounds will run on an L2 - the question is which one will it be?

Prioritization and Alignment of Arbitrum Deployment

This portion of the proposal is also intended to immediately convince the Gitcoin product team to prioritize making their Allo protocol available on Arbitrum. Then, by matching any funding pool which chooses to run on Arbitrum, we immediately bring a large number of users.

It is important to highlight this is not a payment to Gitcoin, but a payment to users funding grants through an Arbiturm round on Gitcoin. Gitcoin core rounds include support for Open Source Software, Ethereum Infrastructure, & Zero Knowledge. This aligns with the stated Arbitrum goal of supporting the Ethereum ecosystem while also attracting users which might otherwise choose another L2.

Open Data & DevRel Support

Additionally, being able to execute pluralistic programs on their Allo protocol allows us an open data substrate which will enable us to compare programs and projects across the pluralist framework. It also allows program managers to use quadratic funding and quadratic voting (if they choose) which require Sybil defense.

Lastly, this comes with the support of the Gitcoin DevRel team to help source builders, host hackathons, and turn the partnership into an event which the ecosystem knows about. Gitcoin wants people building modules on top of the Allo protocol. We need custom modules that will codify the governance rules designed by our pluralist grants programs.

D. System Design, Execution, and Accountability (750k ARB)

In the short term, it will take significant project management work to stand-up a new grants ecosystem. In the medium-term, the goal is for a project manager to work themselves out of a job. There are few people who can point to having done this already in the DAO space.

This is the role for Plurality Labs, Disruption Joe's new company focused on creating credibly neutral and effective grants programs. Plurality Labs is born out of the Fraud Detection & Defense (FDD) workstream at Gitcoin, which successfully worked itself out of a job and conducted a [graceful wind down](#) of the workstream when the Allo protocol was launched.

Team

Plurality Labs Team

Disruption Joe

Ran grants operations for Gitcoin Grants rounds 8-10 growing gross marketplace value from $2 - $10 million. First Gitcoin employee to leave the company and work full-time for the DAO. Started the Fraud Detection & Defense (FDD) workstream. FDD is responsible for stopping over $3 million in fraud while Gitcoin Grants delivered over $50 million in funding.

More reading about the work done in the[FDD Review](#). Joe will be supporting overall project management and grants framework design.

Pepperoni Jo3

(on behalf of [r3gen.finance](#))

Founder of r3gen, a web3 financial service provider currently working with clients including Squid, Coordinape, Inverse Finance and Treasure DAO. Previously PwC consulting alumni specializing in Org Design, Operational Excellence and Change. Joined web3 full time at Index Coop where he served on the Leadership Council as Head of People and Community.

More information on the r3gen services and team [can be found here](#). Pepperoni Joe and the broader r3gen team will be delivering financial reporting and accounting for the grants program and supporting internal operations and workshop facilitation. The r3gen team will also use their experience with legal structuring and complex entity management to oversee the legal and tax considerations for the Grants Program as well as setting and maintaining the KYC process.

Mary Quandt

People-first strategic design-thinking and organizational development leader. Partners with global business leaders to accelerate business strategies and execute people- and organization-focused solutions. Leadership approach combines possibility and participation while keeping firm foot in practical implementation. Thrives on building, leading and growing inclusive cross-functional teams to challenge the status quo. Experience includes IndexCoop, US Election Assistance Commission, Johnson & Johnson, Human Performance Institute, GE, Amazon, Martha Stewart and Charles Schwab to name a few.

Mary will be supporting with design frameworks and expert facilitation

Shawn Grubb

As former CIO, CEO, and non-profit chairman of the board, Shawn spent his corporate career preparing for DAO governance. Introduced to the blockchain in 2015 he went full-time degen in 2019 but moved to DAOs in 2021 when he joined [Index Coop](#) leading the governance communications and people operations. In August 2022, he joined [Gitcoin](#) where he currently leads governance

Shawn will be supporting governance design & communications.

Auxiliary Teams & Advisors

We have not yet collected official statements and bios from this group. Expect to see them added during the "request for comment" time this proposal is up. Here are a few that have helped to shape this proposal and we expect to be participating in some way.

- Questbook

- Already active with Compound, Polygon, and others, their Delegated Domain Authority model is a great mechanism to use for one of our pluralist models.

- DAO Masons

- Winners of the JokeDAO contest. The grants ships application is highly aligned with the decentralized allocation mechanism component of the proposal and their team has gone above and beyond to assist in getting this proposal ready

- Pairwise

- This Tinder-esque voting application aims to make voting in governance more fun. They placed second in our JokeDAO contest

- Lawrence Mosley, PhD

- Has provided Data Science & Analytics across the Ethereum ecosystem since 2018. A member of Aave Grants DAO, he has the experience to lend to our team with deep onchain data knowledge to back it up.

- Tally

- The Tally team has Arbitrum's best interest in mind and have seen many DAO grants programs good and bad. Check out this [Grants Handbook](#) post from Dennison.

- Hypercerts

- Carl Cervone from hypercerts added a [late entry](#) to the JokeDAO contest which focuses on Impact Evaluations.

- Gitcoin

- Gitcoin has agreed to prioritize the deployment of their Allo protocol onto Arbitrum along with DevRel support such as hackathons to build modules on top of the protocol.

Grants Safety Multisig

The Grants Safety Multisig will custody all of the funds outside of the program manager fees. This adds additional security and a layer of checks and balances to protect from self-dealing corruption. If this proposal gets traction, we will outline a mechanism to select Grants Safety Multisig members prior to posting a temp check on Snapshot.

Grants Program Management Fee

An IRL example of a well-run organization that has had 142 years to optimize operations is at ~10%. To be considered "highly efficient" charitywatch.org, 75% of the budget should be spent on programs. The comparisons are not exact, but it does illustrate that 15% is not unreasonable. This proposal also includes lowering this cost to 10% across the milestones as a core metric of success.

There aren't a lot of pluralist program managers out there to compare to, but for reference, Gitcoin runs a pluralist grants program and recently submitted a $1.23 million 6-month budget for their Public Goods Funding workstream which facilitates a pluralist program but isn't working itself out of a job and doesn't have product management and vision workshops to execute.

This also includes compensation for the Pluralist Program Managers who will be paid 10% of the funds they administer while Plurality Labs keeps 5% for higher level administrative efforts. This means the DAO is not "double charged" a management fee.

Looking Ahead: Beyond Milestone 1

If Milestone 1 goes smoothly in 2023, then proposals for Milestone 2 (and eventually 3) will be submitted to complete the transition to a decentralized, pluralist grants program by the end of 2024.

Milestone 2 would focus on program adjustments, alignment with mission and values, and sustainability research.

Milestone 3 would focus on decentralized allocation of funds and proposing a continuous and sustainable ecosystem funding system.

Projected Timeline

Milestone 1 activities will be completed by December 31, 2023.

- Source, select, and implement 5 pluralist grants programs to immediately begin funding Arbitrum ecosystem development

- Research and development started to enable testing of a built decentralized allocation mechanism during Milestone 2

- Incentivization of thousands of Gitcoin users to choose Arbitrum rather than another L2 solution

Milestones 2 and 3 are projected for completion by June 30 and December 31, 2024, respectively.

Note: Milestones 2 and 3 will require separate proposals for funding.

Voting Options

1. Yes, fund Milestone 1 (5 million ARB)

2. No, do not fund Milestone 1, and I'll tell you why in the comments

3. Abstain

For more details and specific terms, please refer to the original proposal.

Proposer Statement

I realize this is a high-trust role that we are asking for Plurality Labs. I honestly believe we can help get governor DAOs past what makes the centralizing patterns seem inevitable. This proposal is about Arbitrum leading by example. It is already a leader in technical decentralization and excellence. Let's match that in our DAO governance.

During my time at Gitcoin, we stopped $3 million in fraud over 6 seasons (and deterred unknown amounts). We always put the community first when thinking about legitimacy, fairness, and credible neutrality. We developed decentralized review mechanisms and created fair appeals processes. We operated a machine learning operations pipeline and then reintroduced explainability to the black box in the interest of legitimacy. In the end, we gracefully wound down the FDD workstream as the beta rounds launched because the service we provided is now a private service available to program managers which can use the open source tools we built.

I started a meetup in 2017 which grew to almost 4,000 members. When it first started, I'd give talks on Bitcoin, Ethereum, & Crypto. My second talk I added to the mix was on DAOs. It was about how smart contracts would allow us to create corruption and collusion resistant organizations. These organizations would be governed by open and permissionless protocols. They would come together with agility and force that would allow humanity to tackle its biggest challenges. More importantly, they would dissolve and cease to exist when they had served their purpose.

I'm sharing these parts of my history so you understand the person behind the proposal. So you can make a judgment of alignment with my values as well as the specifics of the proposal.

This proposal comes with a few key commitments from me, Disruption Joe, and the team I'm bringing together to facilitate the process.

- We will deliver the decentralized allocation solution by the end of Milestone 3

- We will be transparent and publicly showcase our progress throughout

- We will strive for credible neutrality

- When making centralized decisions, we will be clear about the nature of the decision and why it was made

- We will be respectful, trusting and empathetic

It is worth highlighting that this proposal does not stop the ecosystem from giving out any other grants directly from the treasury using the current governance process. This proposal is expediting funding while figuring out how to handle the grants governance in a way that continually increases the impact of funds given out. This will allow the community to assess results using open data, and increase voter participation as a part of the mechanism design. Most importantly, it breaks a pattern we have seen time and again - the slow steady centralization of most DAOs.

Thank you for your time and support of the Arbitrum ecosystem. This proposal will help define what Arbitrum DAO is and will become. We'd value your support as we start to walk that journey together.

Request for Comment

Please co-create this proposal with us. Comment with any concerns or suggestions. The request for comment period will allow a week for feedback, then we will post the final amended proposal. After the proposal is up for 7 days in its final form, we will then post it to Snapshot for a temp check.

This proposal started as a thought exercise which then led to a contest to source ideas from the community. It has been co-created in collaboration with the winning submissions, multiple large delegates, DAO & grants experts, and even other grant proposals. Now, we hope we have provided a quality document that the full Arbitrum community can support.

Please start your response with one of the following:

- I fully support this proposal

- I support this proposal, but have some concerns

- I don't support the proposal yet, but it could get there

- I don't support the proposal and likely won't