

Note: This proposal has been drafted on behalf of the Arbitrum Incentives Working Group as a result of multiple community calls and workshops between multiple stakeholders. It does not exclude external incentive proposals from outside of the proposed structure.*

Abstract

This proposal outlines a one-time, community-created consensus framework to distribute up to 50,000,000 ARB of DAO-funded incentives targeting active Arbitrum protocols. Aimed at fulfilling short-term community needs, the program plans to allocate DAO-owned ARB towards incentives while ensuring transparent consensus and distribution methods. It spans two voting rounds and provides incentives to eligible programs designed to fund incentives through January 31, 2024.

Granted funds are expected to be distributed by the end of January 31, 2024. Participating grantees will be expected to self report data, dashboards, and summarize grant performance on an ongoing basis.

Motivation

This provisional framework aims to allow delegates to distribute incentives fairly and effectively using transparent criteria agreed upon by the community, while a thorough system is developed ([1](#), [2](#), [3](#), [4](#)).

The goals of the framework are to:

- Support Network Growth

: Accelerate the distribution of incentives to Arbitrum dApps to drive network and ecosystem growth.

- Experiment with Incentive Grants

: Experiment with grant distribution to uncover new incentive strategies that increase user engagement and increase volume, transactions, and liquidity in the Arbitrum ecosystem.

- Find new models for grants and developer support that generate maximum activity on the Arbitrum network.
- Create Incentive Data: Generate data on the efficacy of distributed grants to inform future incentive programs and incentive design.

Rationale

By incentivizing the use of existing Arbitrum dApps through this proposal, we anticipate increased volume, transactions, users, and liquidity, laying the groundwork for a dynamic ecosystem. While the proposal acts as an experimental program, its primary goal is to ensure basic safeguards while promoting innovative incentive strategies.

Given that this proposal aims to be a one-time, short term incentive distribution, it lacks the accountability and operational rigor that a full program may provide. As such, we encourage protocols to consider that the use of funds will be both evaluated, and monitored by the community. Any misbehavior, or failure to comply with grant requests will likely result in ineligibility, or at the very least significant discernment, in future incentive or grant programs.

Specifications

The Arbitrum Short-Term Incentive Program will comprise up to a 50,000,000 ARB budget earmarked for incentive grants for eligible protocols. In order to expedite the distribution of this capital to the ecosystem, the DAO will adopt a bifurcated process comprising two separate processes: the Financial Proposal and Application Process.

Following a successful [Snapshot Temperature Check](#), the DAO will launch an expedited application and review process, allowing applicants to apply to delegates for grants concurrent with the on-chain vote to distribute DAO funds from the treasury.

The Snapshot Temperature Check achieved consensus and approved funding of up to 50,000,000 ARB through the end of January 31, 2024.

Financial Proposal

The Financial Proposal will comprise the following:

- A ratification of the Arbitrum Short-Term Incentive Program and [application template](#) as articulated in this document.
- Approval of the eligibility criteria, grant budget parameters, distribution strategy, and evaluation requirements.
- A 50,000,000 ARB distribution to the [STIP-ARB multisig](#).

- A 94,000 ARB operational budget for community/project facilitation.
- 20,000 ARB to [@tnorm](#) as retroactive payment for conducting community moderation:
- Draft and review of multiple iterations of the STIP framework.
- Moderation of community calls and working group telegram.
- Coordination individually across dozens of stakeholders and community members over the past three weeks.
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- 54,000 to ARB Multisig Signers (6,000 ARB per Signer).
- 20,000 ARB to StableLab streamed weekly for organizing and highlighting applications and managing review processes. This includes:
 - Overseeing forum application and review stages.
 - Monitoring progression of applications throughout the application and review process.
 - Monitoring progression of applications throughout the application and review process.
 - Collaboration with the Foundation for forum setup and oversight.
 - Facilitation of Delegate x Grantee Community Calls during review periods.
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Multisig Setup

The [STIP-ARB 5/9 multisig](#) is being created. The funds in the multisig belong to the DAO and the signers act as grant managers on behalf of the DAO in coordination with the Arbitrum Foundation. Funds held in the multisig are explicitly banned from usage in DAO governance including delegation. The multisig includes the signers from the original PL-ARB multisig with the addition of to three community members (pending KYC):

- Karel Vuong, Treasure DAO
- Jack Sanniota, 404 DAO
- Lindsey Winder, Hedgey Finance

This new multisig, the STIP-ARB multisig, includes two features to ensure accountability of signers and grantees:

1. Clawback capability so the DAO can retrieve funds if the multisig violates the agreement.
2. Streaming of funds to grantees every second week for the grants duration using Hedgey. This allows for the halting of funds if misuse is discovered with the goal to stop bad actors, not punish bad designs

What are the Eligibility Requirements?

Grant Requirements:

- Grantees are required to keep distributions in ARB without converting to other assets.
- Grantees must not farm their own incentive programs.
- Grantees must outline a spending plan, provide a pro forma, and state the grant's objective.
- Grantees must commit to providing data on distributions, all ARB spending transactions, and key metrics like daily TVL, transactions, volumes, unique addresses, and transaction fees. This data should cover 30 days before, during, and after the Incentivization period, and be presented preferably in a Dune Spell/dashboard .
- Grantees must agree to share all contract addresses being used to distribute incentive rewards.
- Grantees must disclose the contracts being incentivized and denote any external contracts being incentivized as part of the program.
- Grantees can only incentive contracts on the Arbitrum Network.
- Grants are not to be used in DAO governance.
- Grantees are expected to not encourage or partake in sybil attacks against the forum to sway community opinion.
- Grantees must agree to KYC with the Arbitrum Foundation in order to receive funds.
- Grantees must apply using the approved program application [template](#).

By streaming grant payments, the multisig will be empowered to hold grantees accountable to their proposals by halting fund streaming for any of the following reasons:

- Any use of funds not explicitly described in the grantees application.
- Failure to comply with data reporting standards.
- Grantee recipients will be required to provide Dune dashboards uploaded and posted to the forum by eligible teams by December 15, 2023.
- Dashboard requirements are: Daily TVL, transactions, volumes, unique addresses, and transaction fees for incentivized protocols. This data should cover 30 days before, during, and after the Incentivization period. If a metric does not apply, or this is not achievable, it should be noted in the application.
- More granular dashboards (including pool-level and user analysis) will be noted by the community for future programs.

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- More granular dashboards (including pool-level and user analysis) will be noted by the community for future programs.
- If dashboards are not posted by this date, the multisig will be empowered to halt incentive funding streams for protocols at their discretion.
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In that this proposal aims to be experimental, the multisig is not intended to provide quality control on the design of incentive programs. Rather, they are empowered to halt streaming in the event of negligence or misuse of funds.

Eligibility and Evaluation Guidelines

Grants span two award cycles, but projects can only be awarded once. Projects rejected in the first cycle are invited to address delegate/community feedback and reapply for the second cycle.

Protocols can submit grant applications for amounts they feel appropriate. While there's no ARB limit, delegates and voters will assess each grant individually.

As such, the Arbitrum Working Group has included four grant categories, as well as some recommended metrics by which the community might consider evaluating the grants:

- Beacon Grants ($\leq 200K$ ARB)
- Recommendations:
- Live on Arbitrum for at least 2 months.
- Meets one of the following criteria:
 - $> \$1.5M$ TVL.
 - $> \$2M$ 30D cumulative Volume.
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- Siren Grants (Up to 750K ARB)
- Recommendations:
- Live on Arbitrum for at least 4 months.
- Meets one of the following criteria:
- .> \$4M TVL.
- .>\$40M 30D cumulative Volume.
- .> \$4M TVL.
- .>\$40M 30D cumulative Volume.
- Live on Arbitrum for at least 4 months.
- Meets one of the following criteria:
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- Lighthouse Grants* (Up to 2M ARB)
- Recommendations:
- Live on Arbitrum for at least 6 months.
- Meets one of the following criteria:
- .> \$15M Arbitrum Network TVL.
- .> \$100M 30D cumulative Volume.
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- Live on Arbitrum for at least 6 months.
- Meets one of the following criteria:
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- Recommendations:
- Live on Arbitrum for at least 6 months.
- Meets one of the following criteria:
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- Pinnacle Grants* (> 2M ARB)
- Recommendations:
- Live on Arbitrum for at least 12 months
- Meets one of the following criteria
- .> \$30M Arbitrum Network TVL
- .> \$200M 30D cumulative volume
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One could reasonably use the date of publication for this proposal to inform these metrics.

Steps to Implement (How does the DAO Approve Grants)?

Grants will be approved via a three week process across two cycles.

Cycle 1

1. Application Period (1 Week):

During the Application Stage of the program, eligible protocols will be invited to post proposals in the “Incentive Grant Applications” Category of the Arbitrum Forum using the official Application [Template](#).

Once posted, the community may provide feedback on the proposal through the end of the Review Period.

1. Review Period (1 Week):

Delegates and network stakeholders will be asked to provide feedback on grant applications upon each specific forum post. Delegates should engage with the goal of ensuring the responsible use of funds. This means an application should represent a comprehensive strategy for incentive distribution, align with the program goals and requirements, and present their plan to adhere to the aforementioned data standards.

Applicants are expected to adjust, amend, and update their proposals in line with community feedback over this time period. Due to the accelerated timeline of the program, feedback and communication between delegates and applicants will be critical.

1. Voting Period (1 Week):

A delegate will sponsor the proposal throughout the governance process for each grant application. ARB holders and ARB delegates will be invited to vote on each submitted proposal via Snapshot Poll.

To succeed, eligible applications must receive a greater than 50% majority in favor of the proposal, and receive greater than 71.51 million ARB... If successful, applicants will coordinate with the Arbitrum Foundation and the STIP-ARB multisig to

secure the completion of KYC, and receive funding to the address included in their application.

Cycle 2

Repeat the process outlined in Cycle 1, with the exception that the review period for the second round will comprise a 2 week review period.

Projected Timeline

Sep. 01, 2023 - Forum Post

Sep. 10, 2023 - Snapshot Vote Begins

Sep. 20, 2023 - On-Chain Vote Begins

Round 1

- Application Date Starts: September 20, 2023 12:00 AM EST
- Application Deadline: September 27, 2023 11:59 PM EST
- Review Period Starts: September 28, 2023 12:00 AM EST
- Review Period Deadline: October 4, 2023 11:59 PM EST
- Voting Period Starts: October 5, 2023
- Voting Period Deadline: October 12, 2023

Round 2 (Subject to changes)

- Application Date Starts: October 12, 2023 12:00 AM EST
- Application Deadline: October 18, 2023 11:59 PM EST
- Review Period Starts: October 19, 2023 12:00 AM EST
- Review Period Deadline: November 01, 2023 11:59 PM EST
- Voting Period Starts: November 2, 2023
- Voting Period Deadline: November 09, 2023

Overall Cost

50,094,000 ARB.

Outstanding Questions and Concerns

What happens if the budget is exceeded?

We do not expect applications to exceed the funding budget of 50M ARB. However, if requested grants do exceed the allocated budget, funding will be allocated based on the amount of votes in favor of a proposal, and then on a first-come, first-serve basis dependent upon the time the proposal was submitted to the Arbitrum Forum. In the event that the budget is exceeded, the DAO may choose to unlock further funds for a third round, or backfund successful incentive proposals.

What will happen to excess funds?

Following Cycle 2, excess funds remaining in the multisig will be returned to the Arbitrum Treasury address by the multisig.

What is the plan after the Short Term Incentive Program?

The Short Term Incentive Program is designed specifically as a one-time program, with the intention of empowering delegates to process incentives while the DAO designs a more robust, sustainable program in the months throughout the end of the year.

At the end of the year, if there is no program in place, protocols can put forth direct votes to on-chain governance to extend their programs. This program offers an opportunity for participating protocols to demonstrate mission-aligned conduct as

justification for future funding.

How does the program determine whether to halt funding streams?

Funds can be stopped by the STIP-ARB Multisig with a 5/9 consensus. Funds will be stopped in the event of negligent actions in violation of the previously defined grant requirements. If halted, the multisig must publish the justification of its decision on the Arbitrum Forum. The stream can restart either through a Snapshot Veto or if the multisig decides the grantee has corrected their actions and it's appropriate to continue.

What are the specific KPIs for this program - what determines its success?

- Community Support

: The primary KPI for this proposal is aligning with both delegates and protocols to agree on the distribution of funds through the end of 2023, with an agreement to work towards a more efficient, comprehensive, and effective program in 2024.

- Network Activity

: An increase in network metrics such as TVL, Volume, Users and Transactions on the incentivized protocols in addition to an increase in general network activity.

- Community Awareness

: Raised awareness, collaboration, and understanding of incentive distribution strategies and tactics.

- Incentives Data

: Increased data on incentives, grants, and protocol behavior to inform future Arbitrum incentive programs and iterations.

*Regarding the StableLab Engagement

StableLab has offered to handle management of the forum process starting September 22, 2023 and has agreed to accept back pay (from the proposal's passing) via weekly streams forward through January 31, 2023. This arrangement was initiated due to their proactive outreach regarding a competitive rate and interest under unique time-constraints and circumstances. If at any point the multisig feels StableLab has not upheld diligence in its responsibilities the multisig is empowered to halt the stream and appoint a new service provided by election.

Further, due to these last-minute circumstances, the DAO is entitled to elect competitive service providers during the first voting round by signaling a competitive offer in this proposal thread. If a counteroffer(s) is endorsed by a delegate with over 500,000 ARB VP the DAO will hold an election for the remainder of the contract length (endorsement to avoid spam).