Project xRay
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In this document we outline the xGov grant process and what its platform will look like.

Key Principles

The platform should be the catalyst for decentralised funding and decision making on the Algorand protocol.
The program's long term goal is to be self-sustainable.

Community feedback -> xGov platform should be primarily focused on funding public-goods proposals. Things that instantly add to the ecosystem (public or devs) just by simply being present. Explorers, knowledge bases, OSS tooling etc... If someone is coming to xgov with an ask for grant to build a for-profit feature/product - they are imo in the wrong place.
If their product has market fit and if it has added value they should either build MVP prove its value and ask for retroactive funds, or more proper approach would be to go directly to raise from VCs or go through an accelerator and raise money after.

Proposals should be easily creatable, WYSIWYG editor.
The platform infrastructure should be of minimal footprint.
Funding should be accessible anytime.

Overview

We're proposing a web-app and smart-contracts combo that takes care of the entire grants process. We have divided the process into five stages: creation, review, discussion, voting and funding.

With this platform we're lowering the barriers of entry to submit a grant application and therefore need to preemptively put some safeguards in place (such as spam prevention) to ensure the platform doesn't get misused.
In this iteration of the xGov platform we're also introducing the concept of a "Council", a small subset of xGovs elected by xGovs that will take a more hands on approach.

What is the council?

The council is a group of 17 individuals (16 community members + 1 foundation representative) that has the mandate to vet draft proposals, making sure those abide by the platform's terms and conditions and that projects complete their milestones before payment is released.
The council should comprise a mixed pool of talents (developers, marketers, entrepreneurs)
Council members can't serve multiple consecutive terms (FYI: initial community feedback ->

consider a staggered council where every 3 months only 50% of the council changes to facilitate knowledge passing).

Users of this platform and power within:

- Normal user:
    - I can read proposals and comments
    - I can not vote
    - I can propose (kyc required)
- xGov:
    - I can read and comment on proposals
    - I can vote
    - I can run for council
    - I can vote for the council
- Council:
    - I am an xGov
    - My mandate only lasts three months
    - I can not have consecutive mandates
    - I have to review proposals for T&C assurance
    - I have to assess milestones reviews
    - I can not approve review and approve my proposals
- Proposer:
    - I am a user (normal or xgov)
    - I am KYC'd
    - I submit a proposal by doing X & Y

Types of Proposal

Both retroactive and proactive funding are necessary to ensure the longevity and prosperity of the ecosystem.

- Retroactive
    - Template: I have done X, it has benefited the community because of Y metrics, I would like to receive Z
    - Positive outcome: payment immediately disbursed
- Proactive
    - Template: I want to do X, it has the potential for Y, I would like to receive Z staggered behind these milestones
    - Positive outcome: payment locked in escrow and disbursed after milestone reviews from the council
- xGov Improvement Proposal
    - Template: The xGov process should account for / include X, because Y
    - Positive outcome: the foundation engineering team will add the proposed improvements to the backlog and will then submit a demo of the work in staging for approval of the council, open source contributions are encouraged.

Proposal Categories

- Small
  - Ask <50k algo
  - Fee 100algo + 1% stake
  - Open for discussion: 1 week
  - Open for vote: 1 week (after discussion
- Medium
  - Ask 50k - 250k algo
  - Fee 100algo + 1% stake
  - Open for discussion: 2 week
  - Open for vote: 2 week (after discussion)

- Big spend
  - Ask > 250k algo
  - Fee 100algo + 1% stake
  - Open for discussion: 3 week
  - Open for vote: 3 week (after discussion)

- xGov Improvement Proposal
  - Made by xGovs only, this category is to propose improvements to the xGov process
  - Fee 100algo
  - Open for discussion: *
  - Open for vote: 1 week

Proposal Life Cycle

- Draft:
  - Visibility: Algorand Foundation and Proposer
  - Methodology: web app form so to have low barriers of entry
- Review:
  - Visibility: Algorand Foundation, Proposer, Council
  - Purpose: Check bylaws/t&c of platform and verify if proposal is within bounds and it is not spam.
  - Requirements: for a proposal to go in review a 100 algo fee should be spent (goes to the xgov treasury) and a 1% of the ask should be put at stake
  - Outcome:
    - Positive: When review phase is passed contact will be made with proposer and kyc starts
    - Negative: Stake get slashed and funds redirected to treasury wallet
    - Methodology: Council decision
- KYC: ???
  - Purpose: Verify kyc information for when/if the proposal passes and payment when to be disbursed. This also ensures that only applicants that can receive

funds are able to propose, avoiding wasting time with proposals that cannot be funded due to KYC restrictions..
    - Outcome:
        - Positive: Proposal becomes public, xGovs can start discussing it
        - Negative: Proposal sent back to draft
    - Future: with the rise of DIDs we should, as soon as possible, strive to replace this step with an automatic, on-chain verification process
- Discussion
    - Visibility: Public
    - Purpose: xGovs can comment, discuss and ask questions regarding the proposal (iframe of forum?) (TODO: understand if there's a way to link identities on both forum and xgov)
    - Duration: Based on amount of funds asked
    - Outcome:
        - Proposer can retire the proposal at this stage, if not once the discussion period is up the proposal goes to vote.
        - Proposer can edit the proposal to take onboard community feedback and the proposal goes back to Review phase (TODO: should we move the return of the 1% stake when the proposal goes to vote?)
- Vote
    - Visibility: Public
    - Actionability: xGovs
    - Purpose: xGovs can now vote on the proposal
    - Duration: Based on amount of funds asked
    - Methodology: Onchain voting
    - Voting options: Yes, No, Abstain
    - Outcome (check How a vote passes for more info):
        - Positive: funding gets disbursed (check Payment for more info)
        - Negative: Proposal stays on the platform as failed

"Governance" Periods

Proposals can be brought up to vote at any time because the need for funding does not wait around.
A quarterly calendar will be applicable for:

- New council election
- Treasury wallet top up by the foundation
- xGov members turnover (intake and outflow) ?
- Recalculation of voting power for the weighted majority

How a vote passes

For a vote to pass you need to satisfy two criterias: democratic majority (1 xgov == 1 vote), weighted majority (1% of stake == 1% vote)

The threshold for a passing vote is plotted on an exponential decaying curve i.e. $x^{(-x/5)}$, which will then flatten at a certain minimum, this to avoid flash draining attacks.

Payment

Automated/self-sufficient release of payments is mandatory to minimise the admin burden for Foundation staff and ensure the longevity of the program. Payment will be done from a smart-contract.
In the case where payment is due immediately, funds will be disbursed as soon as the proposal passes.
In the case where payment is pending a milestone review, funds will be held in a smart contract and will be released only when the treasury multisig reaches the required signatures.
What happens if all goes wrong? In the case of a project giving up on the proposal or going mia (qualified as ~1 year from the proposal passing) the council will be able to clawback funds in escrow or if the smart contract expires it will delete itself and send funds back to the funding wallet.
Wherever not legally possible to make a transaction in Algo's (kyc step here is key) the payment should be done in USDCa (TODO: evaluate the possibility to trigger an on-chain swap on a dex).

Bylaws / T&C (starting points)

- Only one proposal should be live at any given time by the same legal entity
- Users can not resubmit the same (previously not passed) proposal twice without a meaningful amount of modifications
- xGov will fund open source development and open Algorand education resources.
- If you have an open contract / milestone to be delivered you can not enter a proposal again

Form Questions

1. Is the request proactive or retroactive?
2. Is the product/service free or have a cost that generates revenue for a for-profit entity?