

[draft] KIP-89: DAO Advisory Framework for the Cooperative

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Summary

Establish a framework where the Kleros DAO advises the Cooperative on strategic decisions (leadership, hiring, project launches) and requires transparency on salaries and spending.

1. Context

Kleros was founded in 2017 as a **permissionless, decentralized court** protocol designed to be plugged into third-party applications (escrow, prediction markets, oracles, DAOs).

The Coopérative Kleros was structured as the **initial steward** of the protocol. Progressive decentralization toward the DAO has been a stated goal since the Governor was decentralized in 2020.

Eight years later, the Cooperative remains the de facto controller of the protocol, the treasury, and the strategic roadmap. The DAO formally exists but has limited operational reality.

Meanwhile, results are not meeting expectations:

- **Dispute volume has declined notably** over the past years
- **Community engagement has steadily decreased** (Twitter, DAO votes, community calls)
- **V2 has faced repeated delays**
- **No meaningful revenue has been generated after eight years of operation** ("revenue" is largely dependent on ETH price appreciation rather than any service or product income)
- **Operating costs keep rising** in parallel

This proposal documents the gap and proposes corrective measures.

2. Diagnostic

Observable patterns, all supported by public sources.

2.1 V2 delivery delays and execution issues

V2 has been the centerpiece of the Cooperative's roadmap for several years, presented as the protocol's next major milestone. Delivery has consistently slipped, with multiple announced timelines missed and no clear public accountability for the delays.

2.2 Technical management and execution friction

Beyond strategic drift, recurring patterns of friction in technical management have been raised, publicly and internally, over multiple years. The patterns are documented and have been acknowledged across community channels and contributor exchanges:

- Recurring tension between technical leadership and product, design, or community priorities
- Limited delegation and high decision concentration on technical matters
- Council and contributor input frequently overridden or bypassed, multiple project decisions have moved forward despite advisory input from internal counsel, community members, or specialized contributors flagging issues early.

2.3 Drift from the original vision of Kleros

- **Heavy academic output** — doctoral sponsorships (CS and Law), conferences at King's College London, EUI, Harvard, Stanford, Wharton, seven cohorts of the Fellowship of Justice, and multiple PhD examination panels
- **Shift toward B2G and enterprise narratives** rather than the original permissionless, plug-and-play protocol vision
- **Internal product focus** — building proprietary applications (PoH, Curate, Seer, Kleros Moderate, Vea Bridge) rather than serving as a neutral arbitration layer for third-party protocols

2.4 Internal products creating structural conflicts of interest

The Cooperative was positioned as a **neutral arbitrator**. It now operates a portfolio of internal arbitrable products: PoH, Curate, Seer, Kleros Moderate, Vea Bridge, Kleros Enterprise.

This creates two issues:

- **Neutrality risk**: the arbitrator competes with the protocols it serves (e.g. Seer vs. Polymarket).
- **Self-funded activity**: headline activity is largely driven by internal subsidies, not external demand.

2.5 Governance is formally followed but practically inactive

Publicly acknowledged by a Cooperative representative in KIP-74 (April 2025): *"most proposals focus on updating technical parameters of the Kleros Protocol rather than broader governance activities. Kleros DAO does not currently support transitive vote delegation and doesn't have an official delegates program."*

In practice the DAO does not vote on hiring, salaries, product launches, or strategic direction. KIP-81 (rejected) and KIP-82 (deemed without effect by the Cooperative) confirmed that the DAO has no treasury and no formal authority over the Cooperative's assets. **The DAO ratifies. It does not direct.**

2.6 Major decisions taken without prior DAO consultation

Launched without prior DAO vote: PoH, Curate, Seer, Kleros Moderate, Vea Bridge, Kleros Enterprise, the Curate Incentives program, Oxford doctoral sponsorships, Cooperative hiring composition, V1 deprecation timeline.

The community mints tokens to fund the Cooperative but has no formal say in how those tokens are allocated, beyond approving or refusing the next mint as a whole.

2.7 Rising costs and lack of transparency

The Cooperative published monthly Treasury and Risk Reports with detailed breakdowns:

- Monthly spending exceeds \$272,000 with no itemized breakdown available to the community
- Repeated requests for spending details, both informal and formal, including from Cooperative members themselves have gone unanswered

3. Why this matters now

1. **Kleros is underperforming** — dispute volume has been declining for years
2. **Community interest is fading** — falling participation on Twitter, DAO votes, and community calls
3. **Lack of decentralization & transparency** — strategic, financial, and operational decisions remain concentrated within a closed group inside the Cooperative, with minimal community input

4. Proposal

Pillar A — DAO consultative vote

The Cooperative submits to the DAO (Snapshot, consultative but conditioning future mints — see Pillar C):

- **Leadership** — ratification of the Cooperative's executive direction at each renewal and on any major change.
- **Full-time hires and compensation** — every new full-time contract and the associated compensation package, prior to engagement.
- **Project launches and contributions** — every new product, partnership, or strategic orientation (R&D, academic, B2G, internal product) prior to allocation of resources.

Pillar B — Quarterly transparency

The Cooperative publishes every quarter:

- **Salaries** by role (amount, currency, vesting).
 - **Spending by project / contributions** (PNK and other currencies, broken down by category: dev, marketing, incentives, infrastructure, etc.). Spend ETH not PNK.
 - **Complete treasury** — all wallets and multisigs under Cooperative control, valuation, and movements over the quarter.
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5. Enforcement Mechanism

Unfortunately, the Kleros DAO has no legal authority over the Coopérative Kleros. In theory, DAO recommendations cannot be enforced.

In practice, it can through transparency. For every major recommendation (leadership of the coop, project funding...) the vote of each Cooperative member on the matter is made public. Members therefore have a direct reputational interest in aligning their vote with the DAO's position.

6. Voting Options

- Yeah
- Nope