

Expanding the Sovereign Investor Base

Demand-Side Innovation in Public Finance

How Digital Distribution, Investor Preference and Project-Linked Participation Could Open New Channels of Sovereign Capital

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Disclaimer

This paper presents a conceptual framework for discussion and does not constitute legal, financial, investment or policy advice.

The structures described would require detailed assessment by governments, debt-management authorities, central banks, regulators, tax authorities and market participants before implementation.

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Draft — Concept Framework for Discussion

Executive Summary

Governments face a fundamental financing paradox: **they need to invest in order to grow, while weak growth and already-high debt constrain their ability to finance that investment.**

Infrastructure, defence, energy, ageing populations and reconstruction are creating growing demands for public capital.

There is no magic money. Governments ultimately have to finance what they spend. But productive investment can expand the economy, strengthen future revenues and improve the capacity to service debt. The difficulty is financing that investment before those benefits are realised.

Sovereign debt management has traditionally focused heavily on the **supply side**: how much debt to issue, at what maturity, in which currency and at what yield. **Investor-base diversification is also an established concern. This paper takes that question further:**

Can governments become better at finding new buyers?

Conventional sovereign bonds should remain the foundation of government financing. But the investors they reach most effectively are not necessarily the full universe of available capital.

Household savings, internationally mobile wealth and purpose-motivated investors may respond to accessibility, project purpose, transparency or incentives that conventional sovereign bonds do not explicitly provide.

Modern digital-securities infrastructure creates an opportunity to package the **same underlying sovereign credit differently** — through fractional access, project linkage, transparent reporting and modern distribution.

A citizen who has never considered buying a government bond may choose to invest in energy security, healthcare or defence infrastructure. An internationally mobile investor may choose domestic infrastructure over an overseas allocation. Different motivations can create different sources of sovereign demand.

This paper describes that approach as **Demand-Side Innovation in Sovereign Finance**.

The Public Project Token (PPT), developed by Baemax Advisory, provides one practical example: sovereign debt distributed differently through project linkage, accessibility and transparency. The central economic test is **net additionality** — whether it attracts capital that would otherwise remain outside equivalent sovereign exposure rather than simply moving existing bond investors.

The objective is not to replace sovereign bonds or disguise borrowing, but to create additional reasons for additional investors to finance sovereign investment.

1. The Emerging Sovereign Financing Challenge

1.1 Governments Need More Capital

Across many economies, public financing requirements are increasing simultaneously.

Major areas of expenditure include:

- transport infrastructure,
- energy security and grid modernisation,
- healthcare and housing,
- defence,
- digital infrastructure,
- climate adaptation,
- demographic and ageing-related expenditure,
- industrial and supply-chain resilience,
- reconstruction following conflict or natural disaster.

These investments maintain national capacity while supporting productivity, resilience and future growth.

The difficulty is that these demands increasingly arrive alongside:

- elevated public debt,
- higher borrowing costs,
- limited political and economic capacity for additional taxation,
- increasingly mobile capital, businesses and skilled labour,
- weak productivity growth, and
- greater competition for global capital.

This creates a difficult fiscal cycle. **Governments need productive investment to support growth, but weak growth and existing debt constrain their ability to finance it. Higher taxation may also affect consumption, investment, competitiveness and the location of increasingly mobile economic activity.**

The result is a three-way constraint:

Borrow more — and debt-service and refinancing pressures may increase.

Tax more — and excessive or poorly designed increases may weaken the economic activity from which future revenues are generated.

Invest less — and productivity, resilience and future growth may suffer.

The financing challenge is therefore not temporary. It is structural.

1.2 There Is No Magic Solution to Sovereign Borrowing

Financial innovation cannot remove the underlying economic cost of government expenditure.

If government builds a hospital, railway, power grid or defence facility, real resources must be committed — and those resources ultimately have to be financed.

Tokenisation does not make debt disappear. Digital securities do not remove public liabilities. Alternative accounting treatment does not create economic resources.

Future economic growth does not remove the need for financing today. Productive investment may expand future output, strengthen tax revenues and improve debt-servicing capacity, but the capital required to generate those benefits must first be mobilised.

Any credible sovereign-financing innovation must begin by acknowledging this constraint.

The question is therefore not:

How can government borrow without it being borrowing?

The more useful question is:

If government must borrow, can that borrowing be structured and distributed more effectively?

This shifts attention from trying to avoid the fiscal arithmetic to improving the financing architecture itself.

Governments already have sophisticated mechanisms for deciding **how much debt to issue, at what maturity and through which instruments.**

But as financing requirements increase, governments generally need to place more sovereign debt with investors. **If the supply of debt increases without a corresponding increase in demand, higher yields may ultimately be required to clear the market, increasing the marginal cost of government financing.**

This means sovereign financing is not only a question of managing the supply of debt. **It is also a question of broadening demand.**

A less explored area for innovation therefore lies on the other side of the transaction:

Who buys that debt — and can the pool of willing investors be expanded?

That is the starting point for **Demand-Side Innovation in Sovereign Finance.**

2. Sovereign Finance Has a Demand Side

Government financing is usually discussed from the issuer's perspective.

Debt-management authorities decide:

- how much to issue,
- the maturity profile,
- fixed versus floating exposure,
- issuance frequency,
- syndication versus auction,
- currency composition, and
- refinancing strategy.

These are essential functions.

But every sovereign obligation ultimately requires an investor willing to hold it.

Every borrower requires a lender.

As financing requirements increase, governments compete not only on the terms of their debt, but for **investor attention, allocation and balance-sheet capacity**.

Traditional sovereign-debt markets perform this function extremely effectively, connecting governments with large pools of institutional and international capital. The question is not whether these markets should be replaced. They should remain the foundation of sovereign financing.

Nor is investor-base diversification itself a new objective. Sovereign debt managers already monitor the composition and behaviour of their investors, maintain investor-relations programmes and adapt issuance and distribution strategies to support resilient demand.

Recent developments have increased the importance of this task. As central banks have reduced sovereign-bond purchases while government issuance has remained elevated, foreign investors and investment funds have become increasingly important marginal buyers in many markets. Recent OECD and Bank of Canada analysis argues that this reinforces the importance of a **diverse investor base**, particularly where reliance on leveraged or price-sensitive investors could increase volatility during periods of stress.

The question developed in this paper therefore goes one step further:

Can governments increase the number and diversity of investors willing to hold sovereign obligations?

Households, internationally mobile wealth, corporate liquidity and purpose-motivated investors may hold substantial capital without directly participating in sovereign-debt markets, or may participate only indirectly through pensions, funds and financial institutions.

The objective is therefore not merely to diversify **within the existing sovereign investor base**, but to explore whether the **addressable investor base itself can be expanded**.

If new financing structures simply move existing government-bond investors from one sovereign instrument to another, little additional financing capacity has been created.

But if they reach investors, savings and capital pools that conventional sovereign issuance does not attract as effectively, the addressable demand for sovereign financing may expand.

That distinction — between **redistributing existing demand and creating additional participation** — is central to this paper.

Investor-base diversification asks how sovereign demand can be made more resilient. Demand-Side Innovation asks whether the pool of potential sovereign demand can also be made larger.

This is the demand side of sovereign finance.

3. The Existing Investor Base Is Not the Entire Capital Base

3.1 Capital Outside Direct Sovereign Markets

Conventional sovereign-bond markets successfully reach major institutional investors including:

- pension funds,
- insurance companies,
- asset managers,
- banks,
- central banks,
- sovereign wealth funds,
- hedge funds, and
- international fixed-income investors.

These markets are deep and should remain central to government financing.

But they do not necessarily represent the full universe of capital potentially available to the sovereign.

Large pools of capital sit elsewhere, including:

- household bank deposits and cash savings,
- retail investment accounts,
- internationally mobile private wealth,
- corporate treasury balances and retained earnings,
- digitally distributed investment products, and
- investors whose allocation decisions are influenced by specific economic or social objectives.

Many households, for example, may have substantial savings while never considering themselves government-bond investors. They may indirectly own sovereign debt through pensions or funds, but rarely make a conscious decision to purchase it.

The same distinction can apply to companies. Businesses may hold surplus liquidity or retained earnings without considering direct sovereign investment as part of their normal treasury allocation.

That distinction matters.

The opportunity is not merely to persuade existing bond investors to buy more government debt.

It is to ask whether sovereign credit can be made **relevant and accessible to investors and pools of capital that conventional issuance does not reach directly or effectively.**

3.2 Evidence That Retail Capital Can Move

Household capital is not static. New investment products, changes in relative returns and improved distribution can materially change how existing savings are allocated.

Recent experience in South Korea provides an illustrative example. Strong retail participation in equities and exchange-traded products has demonstrated both the scale of household investment appetite and the speed with which capital can move when investors are presented with accessible and compelling investment products.

The important observation is not that equity-market behaviour can be replicated directly in sovereign debt. Equities, leveraged products and government securities have fundamentally different risk and return characteristics.

The broader principle is more relevant:

Financial-product innovation does not need to create new wealth to create new demand. It can make existing capital accessible to a market in which it previously participated only minimally or indirectly.

The Korean experience also provides an important caution. Rapid retail participation, particularly where leverage, complexity or speculative behaviour is involved, can expose households to significant losses and ultimately undermine confidence.

For sovereign-financing innovation, **product structure and investor protection are therefore as important as accessibility**. Retail products should prioritise simplicity, clear disclosure, bounded risk and suitability rather than maximise participation through complexity or leverage.

Evidence From Sovereign Debt Markets

More direct evidence comes from sovereign-debt markets themselves.

Recent OECD analysis shows that retail participation in government debt has increased materially in several countries. Across a group of OECD countries representing nearly 90% of OECD central-government marketable debt, the household share of domestic government-bond holdings increased from approximately **5% in 2021 to 11% in 2024**.

The scale varies considerably by country. By 2024, retail investors held almost half of outstanding Spanish Treasury bills, around one-quarter of Hungarian sovereign bonds and more than 10% of Italian government debt. In Indonesia, retail investors purchased approximately 19% of domestic government bonds and sukuk issued during 2024.

These examples do not demonstrate that project linkage, digital distribution or purpose will necessarily create additional demand. They demonstrate something narrower but important:

Retail participation in sovereign finance can become economically meaningful when the product, return and distribution proposition is sufficiently attractive.

The question for this paper is therefore not whether households *can* become meaningful sovereign investors. In several markets, they already are.

The question is whether **accessibility, purpose, differentiated product design and modern distribution can extend that participation to households and capital that conventional sovereign issuance does not reach effectively.**

This creates both an opportunity and a design constraint:

The existence of retail investment appetite does not mean that governments should simply redirect it. The objective should be to offer a simple, appropriately protected sovereign investment proposition through which households can voluntarily allocate a portion of existing savings to productive national investment.

If successful, this would not create new money. It would **mobilise existing capital into an additional source of sovereign demand.**

Whether that demand is genuinely additional — and what it displaces elsewhere — should be measured rather than assumed.

3.3 Potential Sources of Additional Sovereign Demand

Demand-side innovation should not assume that all potential investors respond to the same proposition.

Different pools of capital may require different reasons to participate.

Household savings and deposits

Households may value simplicity, capital security, low minimum investment amounts, tax efficiency and familiar digital access. A competitive sovereign-backed product could potentially attract a portion of savings otherwise held in deposits, cash products or other investments.

Purpose-motivated investors

Some citizens may be more willing to invest when sovereign credit is associated with a recognisable national objective such as healthcare, renewable energy, energy security, defence, transport or local regeneration.

Internationally mobile private capital

Globally mobile investors may respond to competitive sovereign returns, regulatory certainty, currency exposure, tax treatment and access to clearly identified productive investment.

Corporate liquidity and retained earnings

Companies holding surplus liquidity or retained earnings may represent another potential source of long-term sovereign demand.

Governments could consider bounded incentives for companies that commit a portion of surplus capital to qualifying productive sovereign investment for a defined period.

Importantly, long-term participation need not necessarily make the capital economically inaccessible. Where qualifying securities are liquid, transferable and accepted by financial institutions, companies could potentially **use their holdings as collateral for borrowing or other financing needs**, subject to normal eligibility requirements, valuation and haircuts.

This could allow companies to support long-term sovereign investment while retaining greater balance-sheet flexibility than would be available through an entirely locked or illiquid commitment.

Such structures would require careful design. The objective should not be to create a general corporation-tax shelter, subsidise government securities that companies would have purchased anyway, or create incentives for excessive leverage.

Eligibility limits, minimum holding periods, defined qualifying investments and appropriate recapture provisions could help ensure that any fiscal incentive is linked to genuinely incremental long-term capital commitment.

The economic test would again be additionality:

Does the fiscal cost of the incentive generate enough incremental capital, financing benefit and productive investment to justify the revenue forgone?

Digitally engaged investors

Investors accustomed to accessing equities, ETFs, funds and other assets through digital platforms may be more receptive to sovereign securities when they are similarly accessible, fractional and easy to understand.

The objective is not to reproduce speculative investment behaviour, but to apply lessons from modern financial distribution to lower-risk sovereign products.

Diaspora and reconstruction-oriented capital

Where countries face reconstruction or major national-development requirements, citizens and diaspora communities may have additional reasons to participate in sovereign-backed investment associated with visible national rebuilding.

Project linkage may be particularly relevant where investors want both a financial return and confidence that their capital is associated with identifiable reconstruction priorities.

These pools should not be treated as automatically available.

Different investors will respond to different combinations of return, risk, liquidity, accessibility, taxation and purpose.

The relevant question is whether these characteristics can convert some portion of capital currently outside direct sovereign markets into **genuinely additional sovereign demand**.

The existing sovereign investor base is not necessarily the limit of the sovereign's potential investor base.

4. Different Investors Have Different Reasons to Invest

Investors are not homogeneous.

A conventional institutional bond investor may primarily care about:

- yield,
- duration,
- liquidity,
- credit quality,
- index inclusion,
- collateral value, and
- portfolio construction.

A household may respond to different factors:

- simplicity,
- low minimum investment,
- tax efficiency,
- familiarity,
- digital accessibility,
- capital security, and
- visible purpose.

An internationally mobile investor may consider:

- currency exposure,
- tax treatment,
- sovereign risk,
- jurisdiction,
- liquidity, and
- investment purpose.

Other investors may be motivated by particular national priorities.

This suggests that sovereign financing need not rely on a single investor proposition.

The same underlying sovereign credit can potentially be presented differently to different pools of capital.

The objective is not financial engineering for its own sake.

It is **investor segmentation**.

4.1 Purpose as a Marginal Investment Incentive

Financial return remains fundamental to investment demand. Project purpose should not be expected to compensate investors for materially inferior economics.

However, investment decisions are not determined by yield alone. Accessibility, familiarity, liquidity, tax treatment, identity and personal preference can all influence allocation between otherwise comparable products.

This creates a narrower and more testable proposition:

Where risk, return and liquidity are broadly competitive, purpose may provide an additional reason for some investors to participate.

A citizen who supports renewable energy may prefer a sovereign security associated with grid or renewable infrastructure.

Another concerned with national security may prefer defence infrastructure.

Another may choose healthcare, transport or local regeneration.

These preferences already influence behaviour through political participation, charitable giving, advocacy, consumer choices and the growing consumption of issue-specific media and content.

Project-linked sovereign finance asks whether some of that preference can also be expressed through **voluntary investment choice**.

This is fundamentally different from asking citizens to donate to government.

The investor retains a financial asset, receives a contractual return and remains exposed to sovereign credit, while choosing to associate their capital with an approved national priority they wish to support.

The objective is therefore not to replace financial return with political conviction.

Purpose is not the return. It is a potential differentiator once the underlying investment proposition is economically credible.

4.2 From Preference to Additional Demand

This distinction matters for sovereign financing.

If purpose merely causes an existing gilt investor to switch from a conventional bond into a project-linked security, the result is primarily substitution.

But if accessibility and purpose persuade someone who would otherwise hold cash, deposits or other investments to become a direct sovereign investor, the result may represent additional demand.

Different preferences may therefore create different entry points into the same underlying sovereign credit.

A renewable-energy supporter, a defence supporter and a healthcare supporter need not agree on public priorities for each to find a sovereign investment proposition relevant to them.

Government would continue to determine which projects are approved and require financing. Investor preference would not determine the public budget.

Instead, participation provides an additional voluntary layer within that approved financing programme.

The opportunity is to convert differences in investor motivation into broader participation — without changing the underlying sovereign obligation.

5. From Political Preference to Voluntary Capital Participation

Representative democracy determines who has authority to govern and allocate public resources. Citizens vote, governments establish priorities, parliaments approve expenditure, and treasuries finance the resulting requirements.

This remains fundamental.

However, citizens have heterogeneous preferences. One may strongly support renewable-energy infrastructure; another may place greater importance on defence and national security; another may prioritise healthcare, transport, housing or local regeneration.

Under conventional sovereign financing, these preferences have little connection to the financing instrument. Investors purchase sovereign credit without choosing the public purpose with which their capital is associated.

Project-linked sovereign financing creates a different possibility.

Government would continue to determine which projects are legitimate, necessary and approved for expenditure. But within that approved universe, citizens could voluntarily choose which priorities they wish their capital to support.

This creates an additional form of participation alongside democratic choice:

Voting determines political authority. Voluntary investment can provide an additional expression of economic preference.

This does not transfer budgetary authority from government to investors. Nor does it mean popular projects should be funded while less popular but necessary projects are neglected.

Essential expenditure remains the responsibility of government and can continue to be financed through conventional sovereign borrowing.

Project-linked participation instead provides an additional, observable signal about where voluntary investor interest exists.

That signal should not be measured by capital raised alone. Large investors could otherwise dominate the apparent level of support. Relevant indicators could include:

- total capital subscribed,
- number of unique participants,
- median and average investment size,
- retail versus institutional participation,
- geographic distribution of participation, and
- participation relative to issuance size and comparable investment alternatives.

Together, these measures could provide a more balanced indication of the breadth and intensity of investor interest. A project attracting £1 billion from a handful of institutions conveys a different signal from one attracting the same amount from hundreds of thousands of households.

Appropriate normalisation would also be required. Projects with different maturities, yields, tax treatment, risk characteristics and issuance sizes cannot be compared solely on headline subscription levels.

The resulting information should therefore be treated as **an additional source of insight rather than a mechanism for determining public expenditure**. Government and Parliament retain responsibility for deciding which investments are necessary, including projects that may attract little voluntary participation.

Participation is a signal, not a referendum.

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6. Preference-Driven Capital Mobilisation

Political differences are normally viewed primarily as a source of disagreement.

But heterogeneous preferences may also create **heterogeneous investment demand**.

Consider several hypothetical citizens.

One believes strongly that the energy transition is economically and strategically necessary. They may voluntarily invest in:

UK Renewable Energy & Grid Infrastructure

Another believes national defence requires urgent strengthening. They may choose:

UK Defence Infrastructure

Another wants greater investment in healthcare:

NHS Modernisation

Another may prefer:

Local Transport & Regeneration

These individuals may disagree strongly about national priorities. But they do not need to agree for each preference to create a different reason to allocate capital.

This paper describes this as:

Preference-Driven Capital Mobilisation

The significance is not simply that investors can choose between projects. It is that **different motivations may bring different investors into the sovereign-financing market**.

A renewable-energy supporter who would otherwise retain money in savings may choose an energy-related sovereign security. A defence supporter may make the same decision for a defence instrument. Another household may enter because of healthcare or local infrastructure.

Individually, these allocations may be small. Across a large population, however, multiple pools of preference-driven participation could aggregate into meaningful sovereign demand.

The mechanism can therefore be expressed simply:

Different preferences → different reasons to participate → broader potential investor participation → potentially greater aggregate demand for sovereign financing.

This does not mean preference alone will generate investment. As discussed earlier, the underlying proposition must remain economically credible in terms of return, risk, liquidity and accessibility.

Nor does it mean every pound invested represents additional demand. Some investors may simply substitute from conventional sovereign bonds or other government securities.

The relevant question is whether **purpose and accessibility bring marginal investors into sovereign financing who would otherwise have allocated their capital elsewhere.**

If they do, political and social diversity need not only produce disagreement over public expenditure. Within an approved government financing framework, some of that diversity could also become a source of voluntary capital participation.

Different beliefs do not require different sovereign credit. They may simply create different reasons to hold it.

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7. Accessibility Can Create New Sovereign Investors

7.1 From Bond Market to Banking Interface

The distribution model may be as important as the underlying financial instrument.

Traditional sovereign bonds are technically accessible to many retail investors, but they are not generally presented as mainstream household savings products.

A typical household saver may understand:

- savings accounts,
- Cash ISAs,
- investment ISAs,
- pensions,
- funds, and
- shares.

They may have little familiarity with individual government-bond issues, bond pricing or secondary-market conventions.

Digital distribution could change that experience.

Because the underlying obligation remains sovereign, appropriately structured retail instruments could potentially be distributed through **existing regulated banking, savings and investment channels**, rather than requiring households to open specialist brokerage or digital-asset accounts.

The technology should sit behind the product rather than become part of the customer burden. Investors should not need to manage blockchain wallets or understand tokenisation infrastructure. They should see a familiar government-backed investment with clearly disclosed return, maturity, liquidity and risk.

A customer viewing cash in an existing savings account could potentially also see approved sovereign investment opportunities and voluntarily allocate part of those savings directly.

For example:

UK Renewable Energy & Grid Infrastructure

Government-backed

Fixed return

Minimum investment: £50

Defined maturity

View project progress
Invest from existing savings

or:

NHS Modernisation

Government-backed

Fixed return

Minimum investment: £50

Defined maturity

View expenditure and milestones

Invest from existing savings

The underlying credit remains sovereign.

What changes is the way that sovereign credit is packaged, understood and accessed.

The objective should be to minimise the friction between **holding savings and becoming a sovereign investor**, while preserving appropriate investor protections.

Fractional participation, familiar digital access, recognisable purpose and transparent reporting could make sovereign investment relevant to households that would otherwise leave capital in deposits, cash products or other investments.

This matters because financial-product innovation is often also **distribution innovation**. An investment opportunity that technically exists but requires unfamiliar infrastructure may reach a very different population from the same economic exposure presented through a trusted interface already used every day.

International Precedents in Retail Distribution

Elements of this transition are already visible internationally. Governments have experimented with different ways of reducing the friction between households and sovereign securities.

India's **Retail Direct** framework allows individual investors to access government securities directly through an online platform operated by the Reserve Bank of India. Kenya has developed mobile-phone-based access to government securities, while Thailand has used blockchain-based infrastructure for the distribution of government savings bonds.

These approaches differ materially in product structure, technology and policy objective, and none is equivalent to the framework proposed here. But they demonstrate an important principle:

Retail access to sovereign finance does not need to depend entirely on traditional institutional bond-market distribution.

The next question is whether distribution can become still more familiar — potentially integrating sovereign investment into banking, savings and investment interfaces that households already use — while maintaining appropriate regulatory and investor protections.

7.2 Competing With Savings, Not Speculation

For many potential retail participants, the relevant comparison may not be between a project-linked sovereign security and another government bond. It may be between **investing and simply leaving money in savings**.

Households do not necessarily optimise cash continuously across the highest-yielding savings products. Familiarity, convenience, trust and switching friction can influence where balances remain.

This creates an opportunity, but not a justification for offering an uncompetitive product.

A retail sovereign instrument should provide an economically credible proposition relative to **comparable savings and low-risk investment alternatives**. Project purpose should not be expected to compensate for materially inferior returns or liquidity.

Instead, where the financial proposition is broadly competitive, **purpose, transparency and accessibility may influence the marginal allocation decision**.

This suggests a simple retail design principle:

Make sovereign investment as easy to access as savings, economically credible against savings, and more meaningful through purpose.

The objective is not to turn households into bond traders. A successful retail product should minimise unnecessary complexity: a clearly stated return, defined maturity, straightforward sovereign backing, low minimum investment and simple access through familiar regulated channels.

Nor should households be asked to sacrifice financial return for a cause.

Purpose is the additional reason to participate once the underlying investment proposition is already credible.

7.3 The Test: Does Accessibility Create New Investors?

For sovereign finance, this creates a testable proposition:

Can a person who has never considered buying a government bond become a sovereign investor when the same underlying credit is presented as a simple, accessible and purposeful investment alongside their existing savings?

The answer should not be assumed.

Government-backed does not mean risk-free. Investors may still face interest-rate, liquidity and secondary-market price risk. Any banking or investment-platform integration would therefore require appropriate disclosure, consent and regulatory safeguards.

Accessibility should reduce friction, not reduce investor protection.

The first test is whether easier distribution creates **genuinely additional sovereign participation** rather than simply moving existing bond investors into a different product.

But the source of that additional capital also matters. Household deposits, for example, provide funding to commercial banks. Moving significant amounts into sovereign products could strengthen sovereign demand while reducing funding elsewhere in the financial system.

The relevant question is therefore:

Where did the new capital come from, and what did its reallocation displace?

Demand-side innovation should be assessed **net of displacement**, not simply by the amount of new sovereign investment generated.

7.4 Why Not Simply Use Conventional Government Bonds?

Many of the objectives described in this paper could, in principle, be pursued using conventional government bonds. Existing bonds could be made easier to access, receive preferential tax treatment or be distributed through improved retail channels.

This possibility should not be dismissed. **Digital infrastructure should only be introduced where it provides additional value.**

However, conventional sovereign bonds are primarily designed for capital markets rather than everyday household savings. Their market value fluctuates with interest rates, distribution often assumes access to investment-market infrastructure, and the product is

generally organised around maturity and sovereign credit rather than accessibility or project purpose.

For a household saver, these characteristics matter. An investor who may need access to capital could be uncomfortable seeing a government-backed investment trade below its original purchase price simply because market interest rates have risen.

This suggests that demand-side innovation should not necessarily force every investor into the same instrument.

A retail sovereign product could be designed around household requirements: simple return terms, low minimum participation, familiar banking distribution, clearly defined redemption arrangements and project-level transparency.

Institutional investors could continue to use tradable sovereign securities with conventional market pricing. Corporate investors may value liquidity and collateral eligibility. International investors may require different currency, tax or regulatory characteristics.

The objective is not to tokenise a gilt unnecessarily. It is to design sovereign financing around the investor population government is trying to reach.

The underlying credit can remain sovereign across these structures. What changes is the product architecture through which different pools of capital access it.

7.5 A Sovereign Savings Proposition for Retail Investors

For initial retail participation, the preferred structure should prioritise savings-style simplicity over continuous secondary-market trading. The objective is to provide households with a sovereign investment they can understand and hold without requiring them to manage the mark-to-market behaviour of a conventional bond.

A retail structure could therefore use clearly defined returns, maturity and redemption terms, while more actively traded sovereign securities remain available for institutional and sophisticated investors.

An illustrative structure could combine:

- a clearly defined sovereign obligation,
- a clearly stated return,
- a defined investment period,
- low minimum participation,
- clearly defined redemption or early-access rules,
- direct distribution through regulated banking or savings channels,
- project selection, and
- transparent reporting on the associated public investment.

Such a product should not be confused with a stablecoin. A stablecoin is primarily designed to maintain a stable monetary value for payment or settlement. The objective here is different: **to provide a simple sovereign investment product capable of mobilising longer-term household savings into productive public investment.**

Any promise of early or par redemption would need careful design. Long-term infrastructure financing cannot simply be made instantly redeemable without considering liquidity, interest-rate risk and the resulting maturity mismatch.

The structure therefore needs to balance two objectives:

Government requires stable, longer-term financing.

Households require understandable and credible access to their capital.

The opportunity is to make sovereign investment behave more like a familiar savings proposition for the household, without disguising the underlying economics or transferring unmanaged liquidity risk to government.

8. Digital Securities as Distribution Infrastructure

The role of tokenisation in this framework is **practical rather than ideological**.

This is not a proposal to replace sovereign currencies with cryptocurrency, nor does it depend on speculative token economics.

The underlying obligation remains sovereign. Digital infrastructure is simply a potential mechanism for making different sovereign investment products easier to distribute, divide, administer, transfer and monitor.

Digital securities can support:

- fractional ownership and low minimum investment,
- automated issuance, settlement and servicing,
- regulated secondary-market trading,
- transparent ownership records,
- project-linked expenditure and milestone reporting,
- rule-based incentive mechanisms,
- integration with tax-efficient investment structures,
- differentiated investor propositions, and
- potentially lower-friction distribution through regulated financial platforms.

The important innovation is therefore **not the token itself**.

It is what the digital architecture makes practical.

For retail investors, the technology should ideally remain largely invisible. A household should not need to understand blockchain infrastructure, manage a digital wallet or interact with a specialist crypto platform. The investor should simply see a familiar government-backed financial product through a trusted banking, savings or investment interface.

For government and financial institutions, the underlying digital architecture can provide the infrastructure for fractional issuance, settlement, ownership records, transparency and programmable rules.

This separation is important:

The investor experiences a simple sovereign investment. The financial system uses digital infrastructure to deliver it.

Tokenisation therefore has value only where it improves distribution, transparency, market infrastructure or governance relative to conventional alternatives. It should not be adopted merely because the technology is available.

Technology enables sovereign credit to be distributed, segmented and monitored differently. It is an enabler of the financing model, not the financing model itself.

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9. Transparency Creates an Additional Governance Layer

Project linkage may also change the relationship between sovereign financing and project oversight.

Traditional government debt finances the sovereign generally. Investors therefore primarily assess government credit rather than the performance of individual public projects.

Project-linked financing could make selected information continuously accessible, including:

- approved budgets,
- expenditure,
- delivery milestones,
- timetable changes,
- cost variances,
- independent assurance, and
- operation of any performance mechanisms.

This creates the possibility of an additional feedback loop.

Investors, analysts and citizens can monitor emerging project performance. Where securities are actively traded, secondary-market pricing may provide an additional signal as expectations change. Participation patterns and investor behaviour may provide further information even where the retail product itself is not continuously market-priced.

This does not replace government oversight, audit, parliamentary scrutiny or procurement governance.

Nor does transparency guarantee better outcomes.

The hypothesis is narrower:

Earlier visibility and independent scrutiny may improve the speed with which delivery problems are identified and strengthen accountability for addressing them.

This is an empirical proposition that should be tested through pilot issuance rather than assumed.

10. The Additionality Test

The strongest argument for alternative sovereign-financing channels is also one of the easiest to misunderstand.

If a pension fund that would have purchased £100 million of conventional government bonds instead purchases £100 million of a project-linked sovereign security, the government has not necessarily gained £100 million of new demand.

Demand has largely been redistributed.

That may still provide benefits through transparency, investor segmentation or different maturity characteristics, but it is not genuine financing additionality.

By contrast:

- a household becoming a direct sovereign investor for the first time,
- an internationally mobile investor redirecting capital from overseas assets,
- a purpose-motivated investor entering sovereign investment,
- a company allocating surplus capital that would otherwise remain elsewhere, or
- a new distribution channel reaching previously inactive investors

may represent additional sovereign participation.

Any new financing mechanism should therefore distinguish:

Substitution

Existing sovereign investor → new sovereign instrument

from:

Additionality

Capital that would otherwise have remained outside equivalent sovereign exposure → new sovereign investment

But additionality alone is not sufficient.

Capital already performs an economic function before it moves. Household deposits may support bank funding and lending. Corporate cash may support working capital or investment. Overseas assets provide diversification and liquidity.

A new sovereign-financing channel should therefore also ask:

Where did the capital come from, and what did its reallocation displace?

This paper therefore proposes a broader test:

Net Additionality = additional sovereign participation assessed alongside the economic and financial effects of the capital displaced.

A £1 billion inflow from existing gilt investors has a different effect from £1 billion attracted from overseas assets, household deposits or previously inactive retail investors. Each may create sovereign demand, but each has different consequences elsewhere in the financial system.

The objective should therefore not be to maximise headline subscriptions.

It should be to identify financing structures that **broaden the sovereign investor base while producing a positive net effect across the wider economy and financial system.**

The objective is not merely to redistribute existing bond demand. It is to expand the addressable investor base without simply moving the funding constraint elsewhere.

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11. Expanding Demand Without Moving the Problem Elsewhere

Demand-side innovation should not be judged solely by how much new sovereign investment it attracts.

Capital already performs functions elsewhere in the financial system. Existing government bonds provide benchmark liquidity and collateral. Bank deposits support credit creation. Corporate liquidity supports business activity. International investments provide diversification and access to global opportunities.

The objective should therefore be to **expand sovereign demand where this creates additional value, rather than simply moving a funding constraint from one part of the financial system to another.**

11.1 Conventional Government Bonds Remain Essential

Conventional government bonds provide important characteristics including:

- deep institutional liquidity,
- benchmark yield curves,
- repo and collateral utility,
- index inclusion,
- large issue sizes,
- standardised documentation, and
- efficient price discovery.

For many institutional investors, these characteristics make conventional sovereign bonds the most appropriate instrument.

Demand-side innovation should not attempt to move investors away from products that already serve them efficiently.

Project-linked, retail-oriented or digitally distributed instruments should therefore remain complementary.

Excessive product proliferation could fragment liquidity, while preferential treatment could encourage existing investors to migrate from conventional bonds without creating genuinely additional demand.

Alternative sovereign instruments should therefore:

- represent a bounded component of the overall financing programme,
- target investor groups not reached effectively by conventional issuance,

- measure substitution explicitly,
- protect benchmark sovereign-market liquidity, and
- scale only where net additional benefits justify additional cost and complexity.

The objective is not to build a better government bond for existing bond investors. It is to reach capital that conventional sovereign markets do not reach as effectively.

11.2 Competition for Household Capital

Household deposits are not only savings. They are also an important source of funding for commercial banks.

Deposit markets can exhibit significant customer inertia. Households may leave balances with existing providers because of familiarity, convenience and switching friction, even where more competitive returns are available elsewhere.

A simple sovereign-backed savings proposition could make part of this capital more contestable.

If households can compare an existing savings balance directly with a transparent sovereign alternative — potentially within the same banking interface — banks may face greater pressure to compete for those savings through more attractive pricing.

This creates a potential wider effect:

Demand-side sovereign innovation may influence not only where household capital is allocated, but also the return households receive for providing that capital to the financial system.

A Recent Precedent — Belgium

This mechanism is not entirely hypothetical.

In 2023, Belgium issued a one-year retail government bond designed in part to provide households with an attractive alternative to bank deposits and stimulate competition in the savings market. The issue attracted approximately **€22 billion from more than 600,000 investors**, demonstrating the scale at which household capital can respond to a competitive sovereign proposition. The OECD subsequently noted increased competition in Belgian savings products, with banks responding through higher rates and new term-deposit offerings.

The Belgian experience does not demonstrate that sovereign retail products will always improve deposit-market competition, nor does it resolve the potential effects on bank funding. It does, however, demonstrate that sovereign issuance can simultaneously serve as an **investor-base diversification mechanism and a competitive alternative for household savings**.

Greater competition for deposits could increase bank funding costs. However, this would not necessarily translate one-for-one into higher borrowing costs. Depending on market conditions and competition, adjustment could occur through some combination of deposit rates, bank margins, alternative funding sources and lending rates.

Greater contestability may also affect **monetary-policy transmission**. If changes in market and policy rates are reflected in a readily accessible sovereign savings alternative, households can respond more easily to differences in return. This may increase pressure on deposit providers to adjust savings rates as monetary conditions change.

Easier switching could also provide policymakers with better information about the **interest-rate sensitivity of household capital**, by revealing how retail allocations respond to changes in relative returns between deposits and sovereign investment.

Over time, this could help distinguish how much retail demand is driven by yield, accessibility and project preference, improving understanding of household capital-allocation behaviour.

A more contestable savings market may transmit changes in the price of money to households more quickly.

The same accessibility that improves competition in normal conditions could create additional risk during periods of banking stress. If households can move rapidly from commercial-bank deposits into sovereign-backed products, deposit outflows could accelerate precisely when bank liquidity is under pressure.

Any retail architecture would therefore need to be designed in coordination with financial-stability authorities, with issuance volumes, settlement arrangements and stress-period safeguards considered alongside the benefits of easier access.

These effects should be tested rather than assumed. The objective is not to disintermediate banks, but to create a **more competitive market for household capital** while monitoring effects on bank funding, financial stability and credit provision.

Household savings should be treated as capital competing for a return, not simply as a passive source of funding.

11.3 Net Benefit Across the Financial System

These interactions reinforce the importance of evaluating demand-side innovation **net of displacement**.

A new £1 billion of sovereign participation can have very different economic implications depending on where the capital originates.

Capital redirected from existing government bonds may provide little financing additionality.

Capital redirected from bank deposits may broaden sovereign demand but affect bank funding.

Capital attracted from overseas assets may represent additional domestic investment but alter investor diversification.

Corporate capital may provide another source of demand but should not be encouraged away from productive business investment merely to increase sovereign subscriptions.

The relevant policy question is therefore not:

How much money did the new instrument raise?

It is:

What new capital did it mobilise, what did that capital previously finance, and was the overall economic effect beneficial?

This broader assessment should include:

- genuinely new sovereign participation,
- substitution from conventional government bonds,
- displacement of bank deposits,
- effects on bank funding and credit provision,
- fiscal cost of any incentives,
- capital attracted from overseas,
- changes in household returns,
- distribution and administrative costs, and
- wider productive-investment benefits.

Demand-side innovation should scale only where these effects produce a positive overall outcome.

Success is not simply more sovereign demand. It is better mobilisation and allocation of capital across the economy.

12. Rising Global Financing Needs

Increase the Importance of New Buyers

The demand-side question becomes more important when multiple governments need to raise substantial amounts of capital simultaneously.

Large financing requirements are emerging across:

- defence and national security,
- energy security and transition,
- infrastructure renewal,
- industrial and supply-chain resilience,
- demographic and ageing-related expenditure, and
- potential reconstruction following conflict or disaster.

These requirements are not confined to a single country.

Governments may therefore find themselves issuing more sovereign debt at the same time while competing for **overlapping pools of institutional and international capital**.

Higher sovereign issuance does not automatically create higher sovereign demand. Where the supply of debt increases faster than the willingness or capacity of existing investors to absorb it, higher yields may be required to clear the market.

This creates a broader strategic question:

If many sovereigns need more capital from substantially the same investor base, can financial innovation expand the number and type of investors participating in sovereign finance?

Demand-side innovation cannot eliminate fiscal constraints or guarantee lower borrowing costs.

It can ask whether governments can reduce dependence on repeatedly requiring the same institutional investor base to absorb ever-greater issuance by opening additional channels of participation.

The potential benefit is therefore not simply more demand for one government.

It is a **broader and more diversified architecture for sovereign capital formation** at a time when competition for global savings may be increasing.

13. Geopolitical Resilience and Funding Diversification

Sovereign debt markets also have a geopolitical dimension.

Governments care not only about the quantity and price of investor demand, but also its **composition, concentration and resilience**.

Heavy dependence on particular investor groups, currencies or international capital flows can increase sensitivity to changes in global market conditions, monetary policy, geopolitical relationships and investor sentiment.

The objective should not be financial isolation.

International capital remains valuable and desirable, and deep participation by global investors strengthens liquidity and market efficiency.

The objective is **diversification rather than replacement**.

A broader sovereign-financing architecture could combine:

- domestic institutional demand,
- international institutional demand,
- household participation,
- corporate capital,
- internationally mobile private wealth,
- diaspora or reconstruction-oriented capital, and
- purpose-driven investment demand.

These pools respond to different motivations and economic incentives. A global fixed-income fund may respond primarily to relative yield and liquidity. A household may value accessibility and purpose. A company may respond to liquidity, collateral characteristics or bounded incentives. An internationally mobile investor may consider currency, jurisdiction, taxation and investment opportunity.

This diversity matters because different investor groups may behave differently under stress.

A sovereign funded through multiple, differently motivated pools of capital may be less dependent on the behaviour of any single investor constituency.

Demand-side innovation therefore has a potential strategic dimension alongside its financing objective: **broadening the investor base may improve resilience to changes in global capital flows and investor preferences.**

This should not be overstated. A diversified investor base cannot insulate a sovereign from poor fiscal policy, inflation, loss of credibility or wider market shocks.

The underlying fiscal fundamentals remain decisive.

Funding diversification can improve resilience. It cannot substitute for fiscal credibility.

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14. International Applications

The framework is not inherently UK-specific.

Different sovereigns face different financing challenges, investor bases and financial-market structures. The appropriate product may therefore differ by jurisdiction.

The underlying question remains transferable:

Can sovereign credit be structured and distributed in ways that reach additional investor populations?

14.1 United Kingdom

Potential applications include:

- NHS infrastructure,
- defence infrastructure,
- renewable energy and energy security,
- grid modernisation,
- transport,
- digital infrastructure, and
- regional regeneration.

The UK provides an attractive environment for experimentation because of its established sovereign-debt market, large household savings base, sophisticated banking system and emerging digital-securities infrastructure.

A UK pilot could test whether simple, project-linked sovereign products can reach households, companies or internationally mobile investors who participate only minimally or indirectly in conventional gilt markets.

The objective would not be to replace gilts, but to determine whether **additional channels of sovereign demand can be created alongside them.**

14.2 Gulf and Middle Eastern Economies

Gulf economies are undertaking substantial long-term investment across:

- transport,
- logistics,
- energy,
- technology,
- tourism,
- urban development, and
- economic diversification.

Many operate within financial systems structurally linked to the US dollar and already have access to substantial domestic, regional and international capital.

Demand-side financing innovation does not require challenging that monetary architecture.

Instead, differentiated sovereign or quasi-sovereign investment products could potentially provide additional mechanisms for mobilising:

- domestic household and private wealth,
- corporate capital,
- regional investors,
- sovereign and institutional capital, and
- globally mobile private wealth

toward identifiable productive investment.

Project linkage may provide an additional reason for investors to participate in national transformation programmes, while digital distribution could broaden accessibility and transparency.

The region may therefore provide an interesting environment for testing **new sovereign and quasi-sovereign distribution models alongside conventional financing channels**.

14.3 Reconstruction Financing

Large-scale reconstruction following conflict or disaster creates an especially difficult financing challenge.

Capital requirements can emerge rapidly, involve many different types of projects and exceed what conventional public budgets can comfortably absorb.

Potential participants may include:

- governments,
- citizens,
- diaspora communities,
- development institutions,
- international investors,
- sovereign wealth funds, and
- purpose-motivated global capital.

Reconstruction may be particularly suited to differentiated participation because investors can have strong economic, national, humanitarian or diaspora-related motivations for supporting particular programmes.

Financing could potentially be associated with visible priorities such as:

- hospitals,
- housing,

- power infrastructure,
- water systems,
- schools,
- transport, and
- digital connectivity.

A diaspora investor, for example, may have a reason to participate in rebuilding their country that a conventional global fixed-income investor does not. An international investor may respond instead to sovereign or multilateral backing, yield and liquidity.

These are **different motivations supporting the same reconstruction requirement.**

The sovereign, supranational or development institution providing the underlying credit would remain critical. Project linkage and digital distribution do not remove credit risk.

Their purpose would be to **broaden participation, improve transparency and create additional reasons for different pools of capital to support reconstruction.**

15. Worked Example — Public Project Token (PPT)

The **Public Project Token (PPT)** provides one practical example of Demand-Side Innovation in Sovereign Finance.

A PPT is a project-linked sovereign financing instrument designed to broaden participation in public investment.

The underlying principle is deliberately conservative:

PPT remains sovereign financing. The innovation lies in how that sovereign credit is packaged, distributed, accessed and monitored.

Government retains full ownership and control of the underlying infrastructure. PPT does not depend on privatisation, project revenues or off-balance-sheet accounting treatment.

A PPT framework can combine:

- sovereign-backed baseline returns,
- fractional participation,
- project identification,
- regulated digital distribution,
- transparent project reporting,
- low minimum investment,
- optional tax-efficient participation,
- secondary-market liquidity where appropriate, and
- optional performance-linked structures for sophisticated investors.

15.1 Different Investors, Different Structures

The broader demand-side framework suggests that PPT should not necessarily be a single identical instrument for every investor.

Retail households could access a simple sovereign savings-style structure with clear returns, low minimum participation, defined maturity or redemption terms, project choice and familiar banking distribution.

Institutional investors could use tradable project-linked sovereign securities with conventional market pricing, liquidity and optional performance-linked features.

Corporate investors could potentially hold longer-term sovereign instruments designed around treasury requirements, liquidity and, where appropriate, collateral eligibility or bounded investment incentives.

Internationally mobile investors could participate through structures designed around currency, jurisdiction, liquidity and clearly defined policy incentives.

The sovereign credit remains the common foundation.

**Different investors do not necessarily require different sovereign credit.
They may require different ways of accessing and holding it.**

15.2 PPT as a Test of Additionality

The purpose of PPT is not simply to create another government security.

Its value should be judged by whether it reaches capital that conventional sovereign financing does not reach as effectively.

A pilot should therefore test:

- how many genuinely new sovereign investors participate,
- where their capital was previously allocated,
- how sensitive participation is to yield and accessibility,
- whether project purpose affects investment choice,
- whether conventional bond demand is displaced,
- whether bank deposits or other funding sources are materially affected,
- the cost of distribution and any fiscal incentives, and
- whether transparency and external scrutiny improve project governance.

The relevant measure is therefore not headline subscription alone.

PPT succeeds only if the additional participation, financing resilience or governance benefits justify the cost and displacement created elsewhere.

The detailed mechanics, regulatory considerations and optional investor structures are developed separately in the **Public Project Token (PPT) White Paper**.

16. Pilot Design and Evaluation

16.1 Start With a Simple Retail Proposition

An initial retail pilot should prioritise simplicity, investor protection and measurable behaviour over product complexity.

A pilot structure could therefore use:

- sovereign-backed principal,
- clearly defined return,
- fixed or bounded maturity,
- clearly defined redemption arrangements,
- low minimum participation,
- familiar regulated distribution,
- no direct exposure to project-cost overruns, and
- transparent project reporting.

The objective should be to test whether accessibility and purpose can create additional sovereign participation **without requiring retail investors to understand or bear complex bond-market or project-performance risks.**

More sophisticated tradable or performance-linked structures could be tested separately with institutional investors.

16.2 Protect Financial-System Stability

Retail accessibility should be introduced gradually.

A pilot should monitor:

- movement from commercial-bank deposits,
- effects on bank funding,
- speed and concentration of household flows,
- liquidity implications,
- behaviour during periods of market stress, and
- interaction with existing savings and investment products.

Issuance should initially be bounded and scalable rather than unlimited.

The objective is to create an additional sovereign financing channel, not an unrestricted mechanism for rapid migration out of the banking system.

16.3 Measure Net Additionality

Headline subscription is not sufficient evidence of success.

A pilot should identify:

- how many participants are new direct sovereign investors,
- where their capital was previously held,
- substitution from conventional government bonds,
- displacement of bank deposits,
- capital redirected from overseas,
- corporate capital newly committed,
- sensitivity of demand to yield,
- sensitivity of demand to accessibility, and
- evidence that project purpose influences participation.

The central question is:

How much genuinely additional sovereign demand was created, and what did that capital displace?

16.4 Measure Net Fiscal and Economic Benefit

Any incentive or new distribution architecture has a cost.

Evaluation should include:

- tax revenue forgone through incentives,
- additional yield or return offered,
- technology and infrastructure costs,
- distribution and administration costs,
- custody and compliance costs,
- effects on conventional sovereign funding costs,
- effects on bank funding and credit provision, and
- measurable financing, governance and productive-investment benefits.

The relevant policy test is not whether the instrument successfully raises money. Conventional sovereign issuance already does that.

The test is whether the additional capital and wider benefits generated justify the fiscal, operational and financial-system costs required to attract it.

16.5 Scale Only on Evidence

A successful pilot should provide evidence about investor behaviour before national-scale issuance is considered.

Government should therefore scale demand-side financing only where the evidence demonstrates:

- genuine additional participation,
- acceptable fiscal cost,
- manageable displacement effects,
- strong retail understanding and protection,
- operational resilience,
- no material damage to conventional sovereign-market liquidity, and
- benefits sufficient to justify additional complexity.

Demand-side innovation should earn the right to scale.

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17. Conclusion — Innovating on the Demand Side

Governments cannot eliminate the fundamental cost of public expenditure.

Infrastructure, defence, energy, demographic pressures and reconstruction must ultimately be financed. Productive investment may strengthen future growth and fiscal capacity, but the capital must first be mobilised.

Conventional sovereign-debt markets will remain the foundation of that financing.

The proposition of this paper is narrower:

The existing sovereign investor base may not represent the full capital base potentially available to government.

Households, companies, internationally mobile investors, diaspora communities and purpose-motivated citizens hold capital for different reasons and through different channels.

Demand-Side Innovation in Sovereign Finance asks whether sovereign credit can be structured, distributed and presented in ways that make participation relevant to some of these additional investor populations.

Technology can help, but technology is not the proposition.

Tax incentives can help, but incentives must justify their fiscal cost.

Project purpose can help, but purpose cannot substitute for credible economics.

Accessibility can help, but investor protection cannot be compromised.

And additional demand is valuable only when assessed against what that capital previously financed.

The appropriate test is therefore not how much money a new instrument raises.

It is whether the mechanism creates **net additionality**: broader and more resilient sovereign participation whose financing, economic and governance benefits justify the costs and displacement created elsewhere.

The Public Project Token provides one implementation of this principle. Other investor populations may require different structures.

The broader opportunity is larger:

Governments may not be able to eliminate the need to borrow. But they can ask whether the architecture through which they attract capital has reached its limit.

The next innovation in sovereign finance may not be about issuing more debt differently. It may be about finding more reasons for more investors to hold it.

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References and Evidence Base

This paper develops a conceptual framework for **Demand-Side Innovation in Sovereign Finance**. The framework, terminology and proposed applications are the author's own. The following sources provide supporting evidence and background on sovereign investor-base diversification, retail participation, digital distribution and related public-debt-management practices.

Bank of Canada (2026), *The Investor Base for Sovereign Debt: Why Diversification Matters*.

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OECD (2025), *Global Debt Report 2025: Financing Growth in a Challenging Debt Market Environment*.

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OECD (2025), *Retail Investors and Sovereign Debt: Why Now and What Next?*

Reviews the resurgence of retail participation in sovereign-debt markets and evidence that accessibility, higher relative returns, dedicated retail products and digital distribution can materially affect household participation. It also discusses examples including India, Kenya, Thailand, Spain, Hungary and Indonesia.

Reserve Bank of India (2021), *RBI Retail Direct Scheme*.

Provides individual investors with direct online access to Government of India securities, including Treasury Bills and dated government securities, illustrating how sovereign-debt distribution can be made more directly accessible to households.

Arslanalp, S. and Tsuda, T. (2013), *Sovereign Debt: How to Track Who Is Buying and Selling It?*

IMF Research Bulletin.

Examines the demand side of sovereign-debt markets and the importance of investor-base composition for government borrowing costs, refinancing risk and domestic financial stability.

These sources do not establish that the specific mechanisms proposed in this paper will create additional sovereign demand. Rather, they demonstrate that **investor-base composition matters, retail sovereign participation can become economically significant, and product and distribution choices can influence which pools of capital participate in government financing.**

The propositions developed in this paper — including **Preference-Driven Capital Mobilisation, Demand-Side Innovation in Sovereign Finance and Net Additionality** — should therefore be treated as hypotheses for structured testing rather than assumed outcomes.

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About the Author

Che-Hwon Bae (Che) is a financial markets professional with extensive experience in institutional trading, electronic execution, market microstructure, risk management and financial technology.

He has led major trading and technology initiatives, including the development of electronic execution platforms, pricing and systematic trading capabilities, data infrastructure and institutional workflow integration. His career has provided first-hand experience of how market structure, technology and product design influence liquidity, investor behaviour and the allocation of capital.

Through **Baemax Advisory**, Che applies this market-structure perspective to broader financing challenges. His work explores how governments and public institutions could use modern financial infrastructure to broaden investor participation, improve transparency and create more resilient channels for productive investment.

Che developed the **Demand-Side Innovation in Sovereign Finance** framework and the **Public Project Token (PPT)** as one practical application of that approach.