If Wales is to be an AI Nation, SMEs must be at its Heart: A Call to Action for Government and Entrepreneurs.

A Framework for Maximising SME Benefits from the AI Growth Zones in Wales

https://aigrowthzones.wales/

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Executive Summary

Wales is entering a pivotal moment in its economic development. Two AI Growth Zones, in North Wales and along the M4 corridor in South Wales, are expected to attract billions in private investment, create thousands of jobs during construction and build-out, and anchor the UK's next wave of AI-driven infrastructure. At the same time, Welsh Government's AI Cymru strategy places data centres, Adoption Hubs and AI skills at the heart of a long-term economic vision.

This presents a rare opportunity, and for Wales to realise the full benefits, Small and Medium-sized Enterprises (SMEs), which make up 62.3% of national employment and form the backbone of the Welsh economy, must be at the centre of the AI Growth Zone model. The lasting economic test will not be headline job announcements alone. Data-centre campuses are capital-intensive and will create far fewer long-term on-site roles than the construction phase suggests. The enduring case for Growth Zones is whether they help Welsh firms adopt AI, raise productivity, and build a broader base of specialist, high-value businesses.

Productivity in Wales has lagged the UK for decades, and only around 7–10% of Welsh SMEs currently use AI. AI is likely to change the shape of work as much as the quantity of work. Without widespread SME adoption, new routes into specialist work, and support for business formation and transition, the new infrastructure will not shift the productivity trajectory in Wales. If AI does not reach tens of thousands of small firms, it cannot solve the productivity problem, no matter how many data centres are built.

This paper therefore proposes three practical tests that should guide both the current and next Welsh Government as AI Growth Zones are developed:

1. **Tie data-centre incentives to local supply chains, skills and procurement.**

   Growth Zones will provide preferential planning, discounted electricity, fast-track grid access and potentially other public support for data-centre developers. In return, Wales should secure measurable commitments to local procurement, SME participation, community compute benefits, skills transfer, and, where fiscal relief is offered, clear local conditions.

2. **Structure AI adoption funding around real SME projects.**

   Each zone will receive around £5 million for AI adoption and skills. To avoid superficial pilots, this funding must support multi-month transformation projects in Welsh SMEs, outcome-based support, sector cohorts, Welsh-language AI tools, voucher schemes redeemable with accredited Welsh providers, and practical help for firms redesigning workflows or launching specialist AI-enabled services. A credible target is to double SME AI adoption over the next Senedd term.

3. **Plan grid reinforcement and renewables so SMEs can electrify and adopt AI.**

   Grid constraints in Wales already delay business connections by many years. With AI infrastructure expected to draw more than 1GW in South Wales alone, reinforcement must not prioritise hyperscale sites at the expense

of SMEs. Strategic planning should ring-fence local capacity, expand flexible connection models, develop local energy markets, and treat data centres as anchors for renewable and storage projects.

To deliver these outcomes, the next Welsh Government should embed SME AI adoption in Growth Zone success metrics, publish a "Growth Zone SME Compact," align AI Cymru with the SME Productivity Review, publish a Wales-specific fiscal ask for AI Growth Zones, work jointly with UK Government and Ofgem on grid and incentives, and commit to policy continuity across political cycles.

There is also a missing fiscal lever. If AI is as strategically important as government claims, AI Growth Zones should be designed to be meaningfully tax-advantaged for both businesses and scarce talent, with reliefs earned in return for jobs, skills transfer, local supply-chain participation and measurable productivity gains.

But this cannot be government's task alone. Welsh SMEs and founders must also prepare AI-ready projects, form sector cohorts, engage with existing support, build internal data readiness, participate in consultations, strengthen local supply chains, and share early successes.

The choice is clear: AI Growth Zones can either become isolated energy and infrastructure enclaves or drive a broad-based productivity transformation across Wales. Even significant construction activity and a cohort of well-paid specialist roles will not be enough unless the benefits diffuse into the wider base of Welsh firms and workers. If Wales is to be an AI nation, AI must work first and foremost for its small businesses and entrepreneurs.

Introduction: Wales at a Turning Point for AI-Driven Growth

Wales is about to become one of the UK's main testbeds for AI-driven growth.

Two AI Growth Zones, one in North Wales spanning Prosperity Parc on Anglesey and Trawsfynydd in Gwynedd, and a second along the M4 from Newport to Bridgend, are now on the map, backed by billions of pounds of private capital and UK government support. The South Wales zone alone is expected to attract around £10 billion of investment, create at least 5,000 jobs, and draw over 1GW of power by the early 2030s. North Wales is projected to add another 3,400+ jobs. Many of the largest near-term employment effects will come during construction and infrastructure build-out. The longer-term economic prize is different: whether these zones help Wales create more productive SMEs, more specialist suppliers, and more founder-led firms.

At the same time, Welsh Government has just published *AI Cymru: Shaping a Smarter, Fairer, More Prosperous Wales*[1], which explicitly puts AI Growth Zones, data centres and "Adoption Hubs" at the heart of a long-term strategy for economic growth and public service reform.

With a Senedd election due on 7 May 2026 and polls pointing to a more fragmented political landscape, any new government will inherit AI Growth Zones and AI Cymru as facts on the ground. Whoever forms the next Welsh Government, one thing needs to be non-negotiable: SMEs must be front and centre of the AI Growth Zone story, not

[1] https://www.gov.wales/ai-plan-for-wales-html

an afterthought once the hyperscale data centres have broken ground. Policy should not assume future employment will mirror past industrial models.

Why this matters: SMEs, AI and the productivity puzzle

Wales goes into the AI era with two stubborn facts:

- **Productivity is low and has been for a long time.** Wales has the lowest productivity of any UK nation or region and sits significantly below the UK average across most non-manufacturing production and service sectors.
- **The Welsh economy *is* its SMEs.** SMEs account for about 62.3% of all employment in Wales**,** higher than the UK average of 60.3%[2].

At the UK level, the "productivity puzzle" is now an entrenched backdrop: labour productivity used to grow by around 2% a year, but since the 2008–09 financial crisis it has limped along at about 0.5%[3], leaving output per worker perhaps a quarter lower than it would have been if pre-crisis trends had continued. That stagnation is the root cause of flat real wages and so much of the economic frustration that now shapes our politics. AI gives us a chance to break that pattern if we take the time to design policy around the firms where most people work.

Evidence is increasingly clear that technology adopters outperform laggards. ONS data suggest that tech-adopting firms enjoy roughly 19% higher turnover per worker than non-adopters, and global studies estimate that AI could add several percentage points to annual productivity growth for firms that use it seriously [4].

AI also changes the labour-market question. Government should judge Growth Zones not only by gross jobs announced, but by whether they create viable routes into specialist work, support career transitions, and spread productivity gains across the wider base of Welsh firms.

Yet AI adoption in SMEs is still low:

- Official ONS data suggest only 9% of UK firms were using AI in 2023, while other surveys put SME AI adoption somewhat higher, but still in the teens at best.[5]
- For SMEs specifically, Senedd-commissioned research found that just 7.4% of Welsh SMEs had adopted AI in 2022, lower than England (9.8%) and Scotland (8.1%).[6]
- Rural SMEs in Wales face additional barriers: digital connectivity, energy costs, limited skills and language issues, especially around Welsh-language AI support[8].

[2] https://www.gov.wales/economic-mission-sme-productivity-review-html
[3] https://commonslibrary.parliament.uk/research-briefings/sn02791/
[4] https://research.senedd.wales/research-articles/understanding-ai-in-rural-smes-opportunities-for-wales/
[5]https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/managementpracticesandtheadoptionoftechnologyandartificialintelligenceinukfirms2023/2025-03-24
[6]https://research.senedd.wales/research-articles/understanding-ai-in-rural-smes-opportunities-for-wales/

Welsh Government's own SME Productivity Review is explicit: if SMEs are more than 60% of employment and Wales is the UK's productivity laggard, raising SME productivity is the only way to move the needle economy-wide.

That matters because the long-term employment effects may be more diffuse than traditional inward-investment models assume. The future gains may come less from a handful of large permanent employers and more from a wider base of smaller, AI-enabled firms, specialist contractors and niche service providers. Government does not need to predict that outcome with certainty, but it should design for it.

Combine that with the UK-wide picture of sluggish productivity and you get the core argument for an SME-centred AI strategy:

If AI doesn't reach tens of thousands of small firms across Wales, it won't fix the productivity problem, no matter how many data centres we build.

The AI Growth Zones and AI Cymru plan give us the infrastructure and the narrative. What we need now are concrete tests of whether this infrastructure will serve the SME base, support business formation and transition, and widen participation in the productivity gains AI can create.

A Call to Action: Three Questions Facing Welsh and UK Policymakers

If you join the dots between recent policy moves, you can see why three questions, about data-centre incentives, AI adoption funding, and the electricity grid keep coming up.

1. UK Government has positioned the AI Growth Zones to ensure 'no community is left behind', with each zone receiving £5 million for business adoption and skills programmes to support local economic development. This vision is encouraging and aligns closely with Welsh priorities. The practical challenge now is implementation. Data centres will inevitably be major early beneficiaries of accelerated planning and grid access, and many of the near-term jobs will arise during construction. The policy opportunity is to ensure that the lasting benefits flow outward into the local SME base, supply chains, specialist work and new business formation. The three tests in this paper are therefore not arguments against the Growth Zone model, but criteria to help deliver the UK Government's own stated ambitions: local benefit, inclusive growth, and national competitiveness built from the ground up.
2. **Welsh Government has on paper, recognised the need to link this to local benefits.** AI Cymru talks about using data centres and AI Growth Zones to create "a thriving ecosystem" and specifically commits to *"work with partners to exploit the potential benefits from the construction and operation of data centres for the communities where they are located, including maximising green growth opportunities, securing opportunities for the local supply chain and providing relevant accessible skills programmes*[7]*."*
3. **There is parallel work on SME productivity and AI adoption, but it currently sits in a different policy silo.** The SME Productivity Review[8] emphasises digital and AI adoption, calling for better signposting, enhanced advisory support, and awareness campaigns to help SMEs understand the benefits. AI Cymru also highlights the Hartree National Centre for Digital Innovation Hub in Cardiff, which already provides AI and data analytics support to SMEs at no cost, engaging over 70 SMEs with hundreds of hours of assistance[9].
4. **The Growth Zones themselves will come with small budgets for "adoption hubs".** Each AI Growth Zone gets up to around £5 million for local skills and business adoption of AI[10], and the UK Government talks about "regional adoption hubs" to funnel money into AI deployment, particularly in public services.
5. **All of this sits on top of a grid that is already constrained.** The Welsh Affairs Committee inquiries have warned that grid capacity in Wales is "significantly constrained", with both renewable developers and businesses facing long waits to connect. Across the UK, connection delays measured in many years, sometimes up to a decade or more, are not uncommon, with a backlog so severe that the system

[7] https://www.gov.wales/ai-plan-for-wales-html
[8] https://www.gov.wales/economic-mission-sme-productivity-review-html
[9] https://www.cardiff.ac.uk/news/view/2953962-hartree-centre-cardiff-hub-reaches-new-milestone-of-70-companies-assisted-a-feat-of-collaborative-innovation
[10] https://businesswales.gov.wales/news-and-blog/second-ai-growth-zone-wales-announced

operator briefly paused new applications to clean up “zombie” projects blocking the queue. New reforms, including the Ofgem ED3 framework and specific government action on AI Growth Zones, will allow more investment and faster connections, with data centres clearly singled out for priority treatment in policy statements.

Taken together, these strands explain why the debate keeps circling around three core questions:

1. **Will data-centre incentives be conditional on real local economic participation?**
2. **Will AI adoption funding be designed for real, measurable SME projects rather than pilots?**
3. **Will grid reinforcement and renewables be planned in a way that lowers barriers for SMEs to electrify and adopt AI, not just to feed hyperscale sites?**

The rest of this piece sets out those three tests as a practical call to action for both the current and future Welsh Governments and the entrepreneurs starting and scaling Welsh SMEs.

A missing fiscal lever: make AI Growth Zones tax effective

One important lever is still largely missing from the current debate: fiscal design. Government already knows how to use tax policy when it wants to accelerate a place-based industry shift. If AI is as strategically important as ministers say, it is reasonable to ask why AI Growth Zones are not being designed to be meaningfully tax-advantaged for both firms and talent.

This need not mean open-ended subsidy. The better model is a conditional exchange: targeted relief in return for jobs, skills transfer, local supply-chain participation and measurable productivity gains. That would reward real spillovers into the Welsh economy rather than capital spend or land assembly alone.

In practice, that could include:

1. Targeted tax relief for AI activity and AI adoption, not just for new data-centre construction.
2. Capital incentives that support productivity-raising investment in established Welsh SMEs, not only start-ups.
3. Income tax or NIC relief for scarce AI roles relocating to Wales where employers commit to mentoring, apprenticeships or formal skills transfer.
4. Eligibility conditions tied to Welsh jobs, local supplier spend, training delivered, and measurable productivity gains in participating firms.
5. Used this way, fiscal policy becomes a serious behaviour-changing lever rather than a blank cheque. It also reflects a more realistic view of the future labour market: value may be created not only by a few very large employers, but by a wider ecosystem of adopters, suppliers and specialist firms.

Test 1: Tie data-centre incentives to Welsh supply chains, skills and procurement

The AI Growth Zones will make AI-related infrastructure, especially data centres, easier and cheaper to build. In practice, that means priority in planning, priority in grid capacity, discounted electricity for data-centre developers in certain locations, and potentially other public or fiscal support where government wants to accelerate delivery.

Those are powerful incentives. The question is: what do we get in return, specifically for Welsh SMEs and for the wider Welsh economy once the build phase is over?

Welsh Government's AI plan already gestures in the right direction, promising to "secure opportunities for the local supply chain" and provide "accessible skills programmes" linked to data-centre construction and operation. That commitment now needs to move from narrative to contract, and where tax or other relief is offered, into clear conditionality.

What an SME-first incentive package could look like

For every AI Growth Zone deal, whether in North or South Wales, government should insist on:

1. **A hard local-supply-chain floor, not just aspirational language.**
    - Set clear targets for the share of construction, fit-out, facilities management, catering, security, professional services and maintenance spend that must go to Welsh firms and within that, to Welsh SMEs.
    - Require transparent annual reporting on procurement, broken down by geography and firm size.
2. **A dedicated "SME first" skills and adoption track.**
    - Ring-fence part of the skills budget for programmes that specifically bring SMEs into the AI workforce and not just training cohorts for the data-centre operators themselves. That should include conversion routes, apprenticeships and modular programmes that create entry points into specialist work.
    - Use universities, applied research teams, accredited providers and ecosystem partners to deliver short, modular AI upskilling tied directly to productivity-oriented SME projects.
    - Fiscal incentives tied to local participation, not just site development.
    - Where UK Government offers tax relief, capital allowances or related support, eligibility should be linked to local employment, apprenticeships, supplier development, and measurable skills transfer into Welsh firms.
3. Compute and data as community benefit.
    - Explore reserving a small share of local data-centre compute capacity or issuing hyperscaler cloud credits for Welsh SMEs, universities and public-interest projects (a modern equivalent of community benefit funds for wind farms).

- Prioritise AI use-cases that support SME productivity, export potential and new specialist supplier capability across the most economically impactful sectors such as advanced manufacturing, construction, tourism and cultural industries, logistics and transport, and food and drink production. Further high-value sectors could include health and social care, creative industries and media, digital technology and professional services.

4. **Public-sector procurement that backs Welsh AI solutions.**
    - The AI Growth Zones will sit in regions with large anchor institutions: health boards, universities, councils. If those institutions adopt AI at scale, they should be required to actively seek Welsh suppliers where possible, within procurement rules.
    - Welsh Government can support this by creating a pre-approved framework of trusted Welsh AI and data providers, lowering procurement friction for public bodies and large private investors.

What to watch for

The test over the next 12–24 months is simple:

> ***Are DC incentive deals in Wales coming with measurable, enforceable commitments to local SMEs or only high-level promises in press releases?***

If all we see are "jobs created" and "investment attracted" but no granular, public tracking of supply-chain participation, skills transfer, SME engagement and post-construction local business growth, it would suggest that the opportunity is being missed.

Test 2: Structure AI adoption funding around real SME projects, not pilots

The Growth Zones come with modest but symbolically important funding for skills and AI adoption, typically around £5 million per zone, plus access to wider UK-wide initiatives under the National AI Strategy and AI Opportunities Action Plan.

On the Welsh side, AI Cymru commits to "strengthen the support available to SMEs… to understand, contribute to, adopt and exploit AI" and recognises that advice and signposting are currently fragmented. The SME Productivity Review also calls for better coordination of digital support and an awareness campaign around technology adoption.

The risk now is that this adoption funding is diluted into short-run pilots with no follow-through, generic digital-skills "bootcamps" with weak links to actual business outcomes, or superficial tool trials that do not help firms redesign how they operate.

What "real projects" with SMEs look like

To make AI adoption funding meaningful, Growth Zone money should be structured around bundles of concrete projects, not abstract programmes. For example:

1. **Sector-based cohorts of local SMEs doing 6 to 12-month transformation projects.**
    - Pick sectors that matter for Wales such as advanced manufacturing, construction, tourism and cultural industries, logistics and transport, and food and drink production.
    - Recruit 10–20 SMEs per cohort and fund them to design, implement and embed specific AI use-cases (e.g. demand forecasting, scheduling, quality control, marketing automation, generative design) or to develop new specialist products and services.
    - Pair each firm with technical support from universities, applied research teams, trusted integrators or accredited Welsh AI providers, plus a change coach to handle process and workforce issues.
    - Support business redesign, not just tool purchase.
    - Use part of the funding to help SMEs redesign workflows, bring new specialist products or services to market, and participate in local supply chains emerging around AI, energy, data and cybersecurity.
2. **Outcome-based support, not just input-based grants.**
    - Anchor projects around measurable productivity or quality improvements with reduced process time, fewer defects, higher output per employee, higher margins.
    - Use part of the funding to help SMEs measure those impacts (responding directly to the SME Productivity Review's call for better productivity metrics).
3. **Rural and Welsh-language focus, not just urban tech clusters.**
    - Dedicate a portion of adoption funding to rural SMEs, building on research that highlights their barriers and the importance of networks like Farming Connect[11].
    - Sponsor development and deployment of Welsh-language AI tools and interfaces, aligning with AI Cymru's bilingual commitment.
4. **Voucher schemes that route spend through local providers.**
    - Offer AI adoption vouchers that SMEs can redeem with accredited Welsh providers (consultants, software firms, cloud partners), rather than only national programmes. Where fiscal support is available, align it with productivity-raising investment in existing firms as well as start-ups.
    - This simultaneously boosts adoption, encourages business redesign, and strengthens the Welsh AI services ecosystem.

Why this matters for productivity

Early evidence suggests that even relatively simple AI deployment in services, like automating fraud checks or drafting reports, can cut task times from weeks to hours and significantly boost margins. If you multiply modest,

[11] https://research.senedd.wales/research-articles/understanding-ai-in-rural-smes-opportunities-for-wales/

incremental improvements of that kind across thousands of Welsh SMEs, you get aggregate productivity gains that show up in regional statistics. Over time, some of those gains may also show up through new specialist firms and suppliers, not just higher output inside existing companies.

But that only happens if AI adoption funding is large enough to matter at a company level - enabling real, meaningful change inside an individual SME, long enough to embed changes, structured to reward real business outcomes, not just "pilots completed", and accompanied by support for implementation, transition and business redesign.

What to watch for

Over the next few years, we must ask:

> ***How many SMEs have completed multi-month, AI-enabled transformation projects under Growth Zone or AI Cymru funding and what happened to their productivity afterwards?***

If the answer is a handful of showcase case studies, it will be hard to argue that the Growth Zones are delivering their full potential. A credible target would be to double AI adoption among Welsh SMEs, say, from ~7–10% to ~15–20%, over the lifetime of the next Senedd, while also increasing the number of Welsh specialist suppliers and AI-enabled firms serving priority sectors.

Test 3: Plan grid reinforcement and renewables so small firms can electrify and adopt AI

The AI Growth Zones are, fundamentally, about power. AI infrastructure is energy-hungry, and the South Wales zone alone is expected to draw more than 1GW of electricity in the early 2030s[12].

UK-wide reforms are rightly trying to address grid connection backlogs and bring forward investment. Ofgem's new ED3 framework and queue-management rules are designed to speed up connections, and the government has signalled fast-track treatment for data centres, AI clusters and clean-energy projects.

At the same time, the Welsh Affairs Committee has been clear that grid capacity in Wales is already constrained and that there has been poor alignment between UK and Welsh Governments' understanding of the problem. Businesses across the UK, including many seeking to electrify fleets, heat or process loads, face connection delays measured in years, sometimes into the 2030s. For clean-energy SMEs, grid access is often the single biggest constraint on growth.

If the AI Growth Zones simply give data centres fast-track grid access and cheaper electricity without thinking about everyone else on the network, the result will be higher local constraint costs, fewer affordable connection options for SMEs, and a widening gap between AI "haves" and "have-nots".

[12] https://fintechwales.org/news/south-wales-named-second-welsh-ai-growth-zone-in-major-uk-investment-drive/

What SME-friendly grid planning could look like

Welsh and UK Governments, working with Ofgem, network operators and local authorities, should push for:

1. **Ring-fenced local capacity for SMEs and community infrastructure.**
    - When new substations and transmission links are funded to serve AI Growth Zones, a defined portion of that capacity should be reserved for local demand: SME connections, EV charging, heat pumps, public buildings, and small industrial electrification projects.
    - This can be encoded in strategic network plans and connection policies, not as an after-thought handled case-by-case.
2. **Tariff and connection models that don't lock SMEs out.**
    - Encourage the use of flexible or "non-traditional" network connections (with agreed curtailment windows) that can substantially reduce upfront reinforcement costs for smaller users, something Welsh Government has already explored in past guidance.
    - Pilot local energy markets around Growth Zones so SMEs can benefit from cheap off-peak power or direct PPAs with local renewable generators.
3. **Data centres as anchors for local renewables and storage, not just consumers.**
    - Following existing advice on co-locating data centres with renewable landfalls, require Growth Zone data centres to contract with Welsh renewable projects (onshore wind, solar, storage), and to invest in grid-supporting technologies like batteries and demand-response.
    - Where possible, design campus-level microgrids that can offer resilience services to nearby industrial estates and town centres.
4. **Explicit rural and small-town focus.**
    - Use the momentum of AI and the new electricity-network frameworks to push Distribution Network Operators to invest ahead-of-need in rural Wales and not just along the M4 and A55. ED3 explicitly allows more strategic, anticipatory investment; Wales should demand its fair share, framed around SME electrification and rural AI adoption.

What to watch for

As grid plans and Growth Zone connection agreements emerge, we should ask:

> ***Are SMEs getting faster, cheaper access to the power they need for electrification and AI, or are they being told to wait a decade while hyperscale sites plug straight in?***

If the latter, then the Growth Zones risk becoming energy islands: green on the brochure but reinforcing the very barriers that hold back rural and smaller firms.

What the Next Welsh Government Could Do, Starting Now

Some of these levers sit in Cardiff Bay: public-sector procurement, skills budgets, Business Wales support and the way Welsh Government engages with anchor institutions. Others sit with UK Government and regulators: the terms of AI Growth Zone incentives, tax and NIC policy, grid-connection rules and the overall balance of power investment. The three tests in this paper are deliberately designed to guide decisions at both Welsh and UK levels.

Whoever forms the next Welsh Government, the AI Growth Zones and AI Cymru plan will already be in motion. The next administration will inherit the deals, and crucially, the trust or mistrust of the Welsh SME base. To make the most of this moment, there are some practical steps that government, both present and future, could take.

A. Deliver early, visible wins in year one

1. **Launch a first wave of SME AI projects fast, and publish results.**
   Commit in the first year to support an initial wave (for example 50–100 SMEs) in priority sectors in each Growth Zone, with funding and technical support for 6–12 month AI projects. Publish outcomes, not just participation, including productivity, quality, cost, resilience and workforce transition measures.
2. **Create a small "AI for SME Productivity" team with licence to move.**
   Set up a cross-government team that can rapidly approve pilots, unblock procurement and energy issues, and work directly with ecosystem partners. Operate on short delivery cycles with clear targets and accountability.
3. **Build transition routes into specialist work.**
   Pair adoption projects with modular training, mentoring, apprenticeships and conversion pathways so Growth Zones widen access to new specialist roles rather than assuming traditional hiring patterns will return on their own.
4. **Make the front door simple, fast, and delivery focused.**
   Use existing business networks, sector bodies and regional innovation partners as a shared front door that routes SMEs into funded pilots within weeks, not months, with light-touch paperwork and pre-approved provider lists.
5. **Learn from real projects, then scale what works.**
   Use data and feedback from early cohorts to refine AI Cymru and Growth Zone delivery, adjusting metrics, funding models, and rules based on what measurably improves SME productivity rather than relying on generic consultations.

B. Lock SME outcomes into how Growth Zones are measured and governed

6. **Put SME AI adoption into the core success metrics for Growth Zones.**
   Do not just track jobs, capex, and headline GVA. Add SME productivity improvement, the number and share of local SMEs using AI, the share of Growth Zone spend reaching Welsh SMEs, the number of new specialist Welsh firms created or scaled, and participation in transition and upskilling pathways.

7. **Publish a "Growth Zone SME Compact" for each zone.**
   A short, public document setting out what SMEs can expect: access to support, routes to supply, entry into skills programmes, and how to engage with adoption hubs. Co-design it with FSB Wales, local chambers, unions, and community groups.

C. Align AI Cymru with productivity delivery, not just digital policy

8. Align AI Cymru implementation with the SME Productivity Review.
   Treat AI adoption as a primary lever to close Wales's productivity gap. Fund ecosystem players to act as a single navigable front door for SMEs, improving signposting and advisory coordination and connecting it directly to funded delivery and resilience-building in firms.

D. Use Wales's voice with Westminster and regulators to secure SME-first terms

9. Publish a Wales-specific fiscal ask for AI Growth Zones.
10. Set out the reliefs Wales wants Westminster to consider and the conditions attached: Welsh jobs, skills transfer, local procurement, supplier development and measurable productivity gains.
11. Embed cross-government collaboration with Westminster on AI and energy, with Welsh SME priorities up front.
    Use existing mechanisms (joint ministerial forums, Ofgem engagement, UK-wide AI and industrial strategy boards) to push an explicitly SME-centric Welsh position: conditional data-centre incentives, a targeted fiscal package for AI activity, adoption and scarce talent, adoption funding that reaches SMEs, and grid reforms that create space for smaller connections.

Wales is at a genuine point of leverage.

The core programmes are funded, the Growth Zones are moving, and the ecosystem is ready.

What matters now is how decisively government chooses to use the tools already in its hands. By focusing on early delivery with SMEs, keeping access simple, planning for labour-market transition as well as skills, and grounding decisions in evidence from live projects, Welsh Government can turn AI policy into measurable productivity gains within this Senedd term. Done well, this approach would not just support individual firms but help reset Wales's economic trajectory by proving that AI-led growth can be practical, inclusive, and built around Welsh businesses from the start.

What Welsh SMEs and Founders Can Do Now

The success of the AI Growth Zones cannot depend on government action alone. Welsh SMEs and founders also have a critical role to play in shaping, testing and accelerating the practical adoption of AI across the economy. While policy decisions set the conditions, it is businesses themselves who can demonstrate what AI can deliver, build the early success stories, and help ensure that Wales moves quickly and confidently through this transition.

There are several actions Welsh SMEs and entrepreneurs can take right now:

1. **Prepare AI-ready business cases and projects.**
   SMEs should begin identifying areas where AI can deliver measurable improvements in productivity, quality, customer experience or cost reduction, as well as niche products or services they could bring to market. Even simple use-cases such as scheduling, forecasting, marketing automation, documentation, or quality control can generate early wins. Having clear, scoped projects means SMEs are ready to engage when Growth Zone adoption funding, vouchers or cohort programmes become available.
2. **Join or form sector-based cohorts.**
   Many sectors in Wales share common challenges: manufacturing, construction, logistics, tourism, care, agriculture, food and drink, and the creative industries all stand to benefit from collective learning. By forming or joining a cohort, SMEs can influence what "adoption hubs" focus on, shape training and support needs, and demonstrate that real demand exists not only for AI transformation inside existing firms, but for new specialist offers and supplier capability across the Welsh economy.
3. **Engage with existing support from universities, sector bodies and regional partners.**
   Wales already has useful assets across universities, applied innovation programmes, business networks and regional ecosystem partners. SMEs should use these resources now, not wait for new Growth Zone structures to be built. Early engagement de-risks future projects and accelerates learning.
4. **Build internal readiness: data, processes, and workforce skills.**
   AI adoption is easier when businesses have clean, usable data, digital processes rather than paper-based workflows and staff who understand how AI tools can support their roles. Small steps, like digitising workflows, standardising documentation, or training staff on everyday AI tools, can dramatically increase readiness for larger implementation projects.
5. **Engage actively in local and national consultations.**
   Grid reinforcement, planning policy, procurement frameworks and Growth Zone design all involve consultation periods. Founders and SMEs should respond collectively, emphasising: the need for SME grid access, the importance of local procurement, the value of Welsh-language AI and support for rural adoption. When SME voices are present early, policy outcomes more closely reflect real needs.
6. **Collaborate with other Welsh firms to strengthen the local supply chain.**
   AI projects often require a mix of technical providers, industry specialists, data partners and change-management skills. Where possible, SMEs should work with other Welsh firms to build combined offerings and narrow, high-value specialisms. This strengthens the Welsh AI ecosystem and increases the likelihood that public-sector and corporate buyers will select local suppliers.
7. **Share early successes to inspire and accelerate adoption.**
   One of the biggest barriers to SME AI adoption is uncertainty. When Welsh businesses openly share practical wins, reduced process time, faster sales cycles, fewer errors, better customer retention, it builds confidence across the wider economy. Case studies, founder-to-founder discussions, and sector events help turn AI from an abstract concept into something real and attainable.

An AI Growth Zone that belongs to Welsh businesses

The AI Growth Zones are a once-in-a-generation bet. They will reshape parts of the Welsh energy system, labour market and industrial landscape for decades. The question is not whether we should welcome data-centre investment and AI infrastructure, we already have, enthusiastically.

The real question is **who they are being built for?**

If they exist mainly to host racks for global tech giants, create substantial construction activity and provide a relatively modest number of long-term specialist roles, they may still look impressive on a ministerial press release. But that alone will not solve Wales's productivity gap. It will not transform the daily reality of the café owner in Caernarfon, the construction SME in Merthyr, the precision engineering firm in Ebbw Vale, or the care provider in Ceredigion.

If, instead, we treat these zones as a catalyst to put AI tools, skills, clean power and targeted investment incentives into the hands of tens of thousands of small Welsh businesses, and to help more specialist Welsh firms form and scale, then they become something very different: a practical answer to the UK's productivity puzzle, rooted in the real economy of Wales.

That's why the three tests above matter:

1. Tie data-centre incentives to local supply chains, skills and procurement.
2. Make AI adoption funding work for real SME projects, not pilots.
3. Plan grid reinforcement and renewables to open doors for SMEs, not close them.
4. Across all three tests runs a fourth, cross-cutting principle: use fiscal policy to reward the behaviours Wales wants; jobs, skills transfer, local supply-chain participation and measurable productivity gains.

These are not abstract policy questions. They are the practical choices that will determine whether AI Growth Zones become a story of shared Welsh prosperity, broader participation in productivity gains and stronger labour-market resilience, or another chapter in the long history of promises made to communities that never quite feel the benefit.

The current Welsh Government still has time to bake these principles, including a clear fiscal ask and outcome metrics that go beyond headline jobs, into deals being signed today. The next government will have the responsibility to deliver on them. Either way, the message from the SME base should be clear and consistent:

If Wales is to be an AI nation, then AI must work first and foremost for its small businesses and entrepreneurs.
