



A FLOURISHING WELLBEING ECONOMY FOR WALES

**Economic Priorities for the Next
Welsh Government**

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ABOUT THE IWA

We are a think tank and charity, independent of government and political parties. By bringing together experts from all backgrounds, we conceive ambitious and informed ideas which secure political commitments to improve our democracy and economy. We provide platforms for debate, opportunities for people to make their voices heard and agenda -setting research. We are funded by our members, our events and training sessions, and supported by trusts, foundations and other funding bodies.

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Oxfam Cymru believes in a radically better world, free from the injustice of poverty. As part of the global Oxfam family, Oxfam Cymru works with partners across Wales and around the world to tackle poverty and drive change in and from Wales. Oxfam Cymru believes that when people come together, change comes about. We're striving for a world where all of us are empowered with exactly what we need to thrive.



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Economic priorities for the next Welsh Government

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FOREWORD

We are living through a time of overlapping crises – climate breakdown, rising inequality, humanitarian crisis, strained public services, and widening social divides. These challenges expose the deep flaws in our current economic system, which too often fails both people and the planet. In Wales, too many communities face economic insecurity, precarious work, and chronic underinvestment in the things that sustain our lives – care, education, energy, and public services.

If we are to build a fairer, greener, and more resilient future, we must ask a fundamental question: **what is our economy for?**

This manifesto begins with the belief that the economy should serve the wellbeing of people and communities – now and for future generations. It also recognises that, even within the limitations of devolution, the Welsh Government has real power to shape a different kind of economy – one rooted in social justice, equality, care, and environmental sustainability.

Produced in partnership by Oxfam Cymru and the Institute of Welsh Affairs, this paper sets out a clear and practical roadmap for a Wellbeing Economy in Wales. It builds on years of work in economic, gender, and climate justice, and brings forward bold, evidence-based proposals to reimagine what is possible.

The manifesto is built around five key priorities: **setting economic direction, fixing the foundations, supporting socially responsible businesses, managing a just transition to net zero, and accelerating purpose-driven innovation** – together forming a pathway to an economy that puts people and planet first.

Wales has already laid important groundwork through the Well-being of Future Generations Act and its involvement in the Wellbeing Economy Governments partnership. But we cannot afford to stand still. With the 2026 Senedd elections on the horizon, this is a critical moment to turn ambition into action.

This manifesto is both a vision and a call to action – a challenge to all policymakers to use the tools available to build a Wales that truly puts people, planet, and prosperity at its heart.

Sarah Rees

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OUR ASKS OF THE NEXT WELSH GOVERNMENT

1. Setting economic direction

- a. An economic strategy with delivery plan
- b. Establish a wellbeing-aligned annual budget which:
 - i. Takes a long-term, total-cost approach to spending
 - ii. Provides multi-year spending agreements with public bodies
 - iii. Includes wellbeing-to-cost ratio assessment
 - iv. Maps spending onto the National Wellbeing Goals
- c. Enhance the role of the *Wellbeing of Wales* report to include:
 - i. A Wellbeing Wheel to communicate progress
 - ii. Senedd scrutiny debate on publication
 - iii. Key metrics to provide long-term focus and set priorities
- d. Using devolved tax levers as wellbeing-aligned behaviour change mechanisms
- e. Appoint an Independent Wellbeing Economy Advisory Group
- f. Create an economy strategy-aligned Investment Framework to provide funding priorities for the Development Bank of Wales and others
- g. Prioritise investments which take long-term public equity stakes in Welsh-based businesses.

2. Fixing the foundations

- a. Establish a preventative ringfenced funding budget line in Welsh Government's budget
 - i. With the intention for this to represent an increasing portion of Welsh Government's departmental budgets over time
- b. Unleash the power of public procurement:
 - i. Welsh Government must ensure that all public bodies uphold key principles of fair work, including Real Living Wage accreditation
 - ii. Stronger enforcement of standards in conditionality of public procurement processes - following Scotland Fair Work First framework
 - iii. Set a number of meaningful targets for public procurement teams to work towards, e.g. percentage of local procurement
 - iv. With the Future Generations Commissioner for Wales, convene a *Wellbeing in Procurement Forum* to provide learning, upskilling and best practice guidance for public sector procurement professionals.

3. A Wales of thriving, socially responsible businesses

- a. Establish a Social Business Accelerator Fund with specialist, wrap-around support
- b. Set explicit targets for growing cooperatives, social businesses and Real Living Wage accredited businesses
 - i. Whilst also considering further measures to examine the wider social and environmental impact of businesses
- c. Create a Community Empowerment Bill
 - i. With wrap-around support to enable long-term sustainability, including a Community Empowerment Fund.

4. Managing a just transition to net zero

- a. Retaining economic benefit from renewable energy
 - i. Compel all new renewable energy projects in Wales above 5MW to have between 5% and 35% community and local ownership
 - ii. Community Benefit Funding reform, including: a Community Benefit register, mandated base level of provision (£8,000 per MW) and establishing best practice guidelines
- b. Commission the creation of a Future Skills Map overseen by Medr
- c. Establish a National Wealth Fund to drive forward green energy investment. Funding should be derived from:
 - i. Capturing 'wealth fund payments' of at least 15% of net revenues made from future large scale onshore and offshore wind projects with an installed capacity over 50 MW in Wales
 - ii. Pooling profits from Trydan Gwyrdd Cymru
 - iii. Pooling investment funding from Local Authority pension schemes
 - iv. Prioritising taking meaningful stakes in businesses in alignment with wellbeing principles as long-term revenue drivers
 - v. Devolving the Crown Estate to enable Welsh Government to capture the wealth from its natural resources
- d. Develop a Just Transition strategy that places social justice and equality mainstreaming at its core, ensuring no one is left behind in the transition to a net zero economy.

5. Accelerating purpose driven innovation

- a. Create a new independent innovation agency, a Future Generations Lab
- b. Set a number of innovation socio-economic challenges
- c. Establish a Challenge Fund, associated with the above challenges
- d. Appoint an independent, arms-length innovation group to manage the Challenge Fund.

INTRODUCTION

In 2024, the IWA and Oxfam Cymru partnered to convene a conversation with key stakeholders on furthering the Wellbeing Economy in Wales. The result of that conversation was a policy paper, *A Wales that Cares for People and Planet*,¹ which set out some of the key challenges and opportunities for Wales to create an economy which functions better for people, planet and places. One of the key recommendations of this paper and subsequent conversations with partners was the need for a practical manifesto of policies to lead into the Senedd 2026 elections.

The conversation around the Wellbeing Economy represents a vision for a different type of economy, one which foregrounds the wellbeing of people, planet and places. It has come to represent a set of principles around which a number of organisations in Wales have aligned themselves with and committed to furthering.

Yet, the practical policies for how to support the flourishing of the Wellbeing Economy in a Welsh context, with all the unique challenges and opportunities this brings, still appears out of reach. This paper attempts to bridge this gap.

Our report builds on the broader economic, climate, and gender justice work of both the IWA and Oxfam Cymru. Over recent years, the IWA's wider economic policy work, has focussed on the foundational economy,² social partnership,³ Wales' fiscal framework,⁴ and ensuring people in Wales benefit from the transition to a greener economy.⁵ The IWA have also worked alongside the Office of the Future Generations Commissioner for Wales on a set of interventions they can make to further the Wellbeing Economy.⁶

Similarly, Oxfam Cymru has actively contributed to the Wellbeing Economy agenda by promoting a just transition to a greener and more caring economy - centred on climate and gender justice. Through partnerships and public engagement, it has developed evidence-based policy proposals to advance these aims. Alongside this manifesto, Oxfam Cymru is also developing a dedicated policy paper on a Feminist Green New Deal for Wales, which offers a roadmap for delivering a fair and inclusive green transition.

¹ [IWA, 2024, A Wales that cares for people and planet](#)

² [IWA, 2021, A Better Balance](#)

³ [IWA, 2024, Beyond Social Partnership](#)

⁴ [IWA, 2023, Fiscal Firepower](#)

⁵ [IWA, 2019, Re-energising Wales](#); [IWA, 2021, Renewing the Focus](#); [IWA, 2024, Sharing Power, Spreading Wealth](#)

⁶ IWA, 2024 - Internal Report that fed into: [Future Generations Commissioner for Wales, 2025, Future Generations Report 2025](#)

Wales' economy exists as a shadow of the wider UK economy, albeit performing below the average of UK nations and regions. In a UK context of achieving economic growth as the 'number one mission of the government',⁷ this paper asks growth *for what* and *for whom*, whilst asserting the ability of devolved actors to meaningfully shape the economic fortunes of the people of Wales. This paper is aimed at the devolved level specifically.

WHAT IS THE WELLBEING ECONOMY?

The Wellbeing Economy places improving people's wellbeing at the heart of our economic model, and attempts to utilise the tools of governments (both devolved and central) and public bodies towards this goal. In this report, the Wellbeing Economy is used as an umbrella term which includes key principles of related alternative economic approaches such as:

- Foundational Economy⁸
- Circular Economy⁹
- Green Economy
- Community Wealth Building¹⁰
- Doughnut Economics.¹¹
- A Green and Caring Economy¹²

Each of these models represent similar policy aspirations and tools for achieving their aims, from foregrounding the vital role of public sector procurement, to acknowledging the role of the core parts of the economy which lift living standards (in food, housing, transport and care as examples). Or, as Dawn Lyle argues on the IWA's *welsh agenda*.¹³

'Social value, social partnership, foundational economics, community wealth building... different labels representing a huge amount of thought-leadership across the public and third sectors in Wales; whilst in the private sector, the circular economy, the green economy, purpose-driven businesses and social enterprises point at a new playing field for truly sustainable economic activity;' *'The Wellbeing Economy offers a unifying narrative for all of this good stuff that is happening in Wales.'*

⁷ [UK Government, 2025, Kickstarting Economic Growth](#)

⁸ [The Foundational Economy Collective, 2022, Foundational Economy](#)

⁹ [Ellen McArthur Foundation, N.D., What is a circular economy?](#)

¹⁰ [CLES, N.D., What is community wealth building?](#)

¹¹ Kate Raworth, 2017, Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist

¹² [Women's Budget Group, 2022, A Green and Caring Economy](#)

¹³ [Lyle, D, 2024, A new framework for economic development in Wales: the Wellbeing Economy](#)

Each of the above theories have been the subject of interest to Welsh Government. Yet, it is the foundational economy in particular¹⁴ that has received the most attention. Welsh Government has, to an extent, adopted the Foundational Economic model¹⁵ as a means to support a Welsh place-based economic renewal, with a focus on strengthening the delivery of foundational sectors like health and social care, food, tourism, education and social infrastructure. Although, with no overarching Welsh Government economic strategy, the degree to which this can be understood as a cross-governmental commitment is unclear, as has become evident in a recent Senedd consultation on the implementation of the theory.¹⁶

Indeed, evidence submitted by the Foundational Alliance Wales¹⁷ tells a tale of ‘limited’ progress and ‘under delivery’. Evidence from the Wales Economic Policy Unit details a conflation with other economic concepts which ‘makes it difficult to evaluate foundational economy policy outputs or desired outcomes,’¹⁸ whilst Cwmpas states that the agenda ‘hasn’t moved limited projects and hasn’t been implemented as a government-wide approach,’¹⁹ highlighting that Wales requires radical change to how we *deliver* economic policy. Knowledge and application of foundational economic principles is patchy, with delivery reflective of the endeavour and intention of individuals rather than the implementation of a well-devised and comprehensive strategic economic approach.

The focus on the aforementioned alternative economic theories is an attempt to answer one question: *what is our economy for?*

The Wellbeing Economy has gained significant traction in Wales, with a host of organisations advocating for it in some form. The use *wellbeing* as an overarching term to describe the kind of economy we want to create has immediate salience in a Welsh context, given our world-first Well-being of Future Generations Act.²⁰ The *Wellbeing Goals* and *Ways of Working* set out in the Act are now well established in public bodies, Welsh Government and a wider host of stakeholders. This is further reinforced by the

¹⁴ [Welsh Government, 2021, Economic resilience and reconstruction mission](#) and [Welsh Government, 2024, The foundational economy](#)

¹⁵ [Welsh Government, 2024, the foundational economy](#)

¹⁶ [Senedd Economy, Trade and Rural Affairs Committee, 2025, The Foundational Economy](#)

¹⁷ [Foundational Alliance Wales, 2025, Consultation Response: Senedd Economy, Trade and Rural Affairs Committee Inquiry: The Foundational Economy](#)

¹⁸ [Wales Economy Research Unit, 2024, Consultation Response: Economy, Trade and Rural Affairs Committee Inquiry into the Foundational Economy](#)

¹⁹ [Cwmpas, 2024, Consultation Response: Economy, Trade and Rural Affairs Committee Inquiry into the Foundational Economy](#)

²⁰ [Well-being of Future Generations \(Wales\) Act 2015](#)

Commissioner placing the Wellbeing Economy at the heart of the Office's latest strategy.²¹

Welsh Government is also part of the Wellbeing Economy Governments partnership: a group of governments 'interested in sharing expertise and transferrable policy practices to advance the shared ambition of building Wellbeing Economies.'²² Wales is one of six nations in the partnership, which also includes Finland, New Zealand, Iceland, Scotland and Canada. Welsh Government could and should, therefore, be in a position to drive forward global leadership in this space.

The Wellbeing Economy approach, then, has the potential to be transformative, laying out a unique approach that is conceived *by* and *for* Wales.

THE ECONOMIC CHALLENGE

It's important to acknowledge the degree to which the current economic approach, post-devolution, is failing people in Wales. It is also failing to uplift people's wellbeing.

The best way of analysing the state of the Welsh economy through a wellbeing lens is by looking at the latest annual Wellbeing of Wales report,²³ which logs the progress, or lack thereof, against a number of wellbeing indicators (as established in the Well-being of Future Generations Act).

Headline findings noted in the report include:

- 21% of households in Wales are living in relative income poverty, with a striking 31% of children growing up in relative income poverty
- Household incomes in Wales are 82% of the UK average
- Wales has the lowest proportion of 'innovative firms' in the UK (innovation-active businesses which undertake activities such as introducing new or significantly improved products, services, processes; or business structures or practices; or investing in research and development or training.)²⁴
- Significant gaps in healthy life expectancy between the most and least deprived parts of Wales, standing at 13.3 years for males and 16.9 years for females.

²¹ [Future Generations Commissioner, 2023, Cymru Can](#)

²² [Wellbeing Economy Governments, N.D., Wellbeing Economy Governments \(WEGO\)](#)

²³ [Welsh Government, 2024, Wellbeing of Wales 2024](#)

²⁴ Ibid

Further research highlights broader issues which reflect an economy which is poorly performing and which questions the strength of our foundational ‘social floor:’

- An economic inactivity rate of 24.2% (and above the UK average, which stands at 21.3%)²⁵
- A systemic productivity gap between Wales and other UK nations, as well as international comparator nations²⁶
- Significant and growing inequalities in healthy life expectancy between the most and least deprived parts of Wales,²⁷ as well as inequalities in the number of avoidable deaths²⁸
- The Bevan Foundation’s snapshot of poverty details a persistent stagnation in living standards, with ‘increased financial hardship’ becoming the ‘new normal in many Welsh communities’²⁹
- Stark regional economic inequalities³⁰
- Wales is among the most nature-depleted nations on earth³¹
- Younger working age adults in Wales (25–44) are most likely of those in other UK nations and regions to have zero wealth and have more than £1,000 of debt in the UK³²
- Significant financial and wellbeing strains on carers in Wales,³³ which disproportionately fall on women³⁴
- Both Wales and the UK are failing to transition to a net zero economy quickly enough³⁵ or adequately adapt for the already present impacts of climate change.³⁶ Indeed, research suggests that ‘if the entire world population lived like the citizens of Wales, humanity would require 2.08 earths,’³⁷ undermining aspirations of global responsibility.

²⁵ [Stats Wales, 2025, Economic inactivity rates by UK country/English region and quarter: from ONS Labour Force Survey](#)

²⁶ [Henley, A, 2023, Welsh productivity performance: lost cause or still waiting for a miracle?](#)

²⁷ [Public Health Wales, 2022, Inequalities in life expectancy increased while inequalities in healthy life expectancy remained stable](#) and [ONS, 2022, Healthy state life expectancies by national deprivation quintiles, Wales: 2018 to 2020](#)

²⁸ [Welsh Government, 2024, Wellbeing of Wales, 2024](#)

²⁹ [Bevan Foundation, 2024, Snapshot of poverty: Autumn 2024](#)

³⁰ [OECD, 2020, The Future of Regional Development and Public Investment in Wales, United Kingdom](#)

³¹ [State of Nature Partnership, 2024, State of Nature Wales: 2023](#)

³² [Fairness Foundation, 2025, No Money, More Problems](#)

³³ [Carers Wales, 2024, State of Caring in Wales: Finances 2024](#)

³⁴ [Carers Wales, 2024, State of Caring in Wales](#)

³⁵ [UK Climate Change Committee, 2023, Progress report: Reducing emissions in Wales](#) and [UK Climate Change Committee, 2024, Progress in reducing emissions 2024 Report to Parliament](#)

³⁶ [UK Climate Change Committee, 2023, Adapting to climate change: Progress in Wales](#) and [UK Climate Change Committee, 2023, Progress in adapting to climate change: 2023 Report to Parliament](#)

³⁷ [Welsh Government, 2024, Wellbeing of Wales, 2024](#)

These statistics represent a snapshot of the deep-rooted and systemic issues in the Welsh economy and how it functions for people today. Many of these challenges pre-date devolution itself, suggesting that our recent and current economic approaches have failed. Delivering policy-as-usual will not offer a quick fix. Instead, we must think differently about *how* and *why* we deliver economic policy in a devolved context.

DEVOLVED CONTEXT: AGENCY AND OPTIMISM

But to what extent are a devolved Welsh Government *able* to bring about a Wellbeing Economy?

In principle, economic development is a devolved issue.³⁸ In fact, one of the key purposes of creating a devolved Assembly (as it was at its genesis) was to enable government in Wales to use its powers to improve economic performance.³⁹ Local decision making, so the argument goes, can lead to the creation of stronger, place-based economic strategy.

Yet, the lines of powers and responsibility over managing Wales' economy are blurred. This is particularly the case following the repatriation of post-EU funding mechanisms, which have centralised funding and resources that were once in devolved hands. With the creation of a new level of governance in Corporate Joint Committees,^{40,41} these already blurred lines are getting even more unclear.

This confused picture can at times be obscured by political actors, who may over- or understate the degree to which Welsh Government has control over the nation's economic destiny.

During this 2026 Senedd campaign it is vital that the debate around our economy is rooted in the capacity and capability of Welsh Government to deliver. Only by doing so can Wellbeing Economy principles be articulated in an alternative economic vision than our current one.

³⁸ [Senedd Cymru, Powers](#)

³⁹ [Bradbury, J and Davies, A. 2024, Regional Economic Development and the case of Wales: Theory and practice and problem of strategy and policy](#)

⁴⁰ Corporate Joint Committees are regional corporate bodies, with broadly similar powers, duties, governance and administrative structures to local authorities, but also have a level of discretion on constitutional and operational arrangements and responsibility for 'strategic development' plans and 'economic wellbeing': [Senedd Research, 2022: What are Corporate Joint Committees](#)

⁴¹ [Welsh Government, 2022, Written Statement: The role of Corporate Joint Committees](#)

The first Wales Economic and Fiscal Report⁴² (which replaced the Chief Economist's Report) notes:

'Wales' economy is deeply embedded within the wider UK economy. Many of the general trends which affect the UK are likely to be reflected or heavily influence Welsh economic conditions.' (p.2)

Consequently, Welsh economic performance, when measured by conventional economic metrics such as those presented in the Welsh Government's *Welsh economy in numbers* tool,⁴³ reflect UK-wide trends (albeit with typically poorer performance when compared to other UK regions).

This reading of Wales' economic trajectory since devolution tells us that this model of economic strategy and measurement renders devolved policy interventions as ineffectual for impacting everyday life in Wales, with Wales' economic fate a reflection of wider UK economic health. Yet, it is not beyond the power of actors in Wales' economy to transform the direction of our economy. The move to prioritising the Wellbeing Economy recognises that devolved levers exist to bring about change to economic outcomes for the people of Wales.

Taking an approach to economic policy which is rooted in prioritising wellbeing, therefore, attempts to direct political action to the economic policy levers that devolved actors have control over, re-focussing on everyday economic wellbeing of people across the nation. Such an approach reflects what Welsh Government have control over: foundational economic activity, the management of public services (including health and social care), procurement spending, protecting our environment, and devolved taxation, alongside limited funding to support business.

An approach to economic policy which attempts to improve wellbeing as the overarching aim is empowering to a devolved government, weaving a narrative of agency to create change. It also recognises Wales' aspiration to be truly globally responsible as we grapple with a climate crisis which is and will continue to disproportionately impact life in Wales.⁴⁴

A collaborative relationship of mutual respect between the UK and Welsh governments is, of course, vital to the nation's economic success. This should be co-determined with devolved policymakers utilising their tools to create different economic realities within the UK.

⁴² [Welsh Government, 2024, Wales Economic and Fiscal Report 2024](#)

⁴³ [Welsh Government, N.D, Welsh economy in numbers: interactive dashboard](#)

⁴⁴ [MacBride-Stewart, S. and Parken, A., 2021, Inequality in a Future Wales](#)

WELSH GOVERNMENT BUDGET: TOWARDS A WELLBEING BUDGETING APPROACH

When we analyse where the limited funding for economic development, which devolved actors have control over, is allocated, we can see the following:

- Welsh Government spend £842 million on economy, energy and planning. This represents 3% of their overall £25.9bn budget.
- The economy, energy and planning budget line naturally accounts for expenditure outside of direct economic policy.⁴⁵
- Much of Welsh Government's ability to support the development of a Wellbeing Economy, in a budgetary sense, therefore, sits in extracting maximum wellbeing value from other spending pots, such Health and Social Care spending, or Local Government and Housing.

The budgetary outlook going into the next Senedd term also presents significant issues with the next Welsh Government facing a challenging economic and budgetary context:⁴⁶

'Despite the increases in government spending on public services this year and next, the outlook for public finances beyond looks challenging. On current UK Government spending plans, increases to public service spending over the medium term are expected to be much lower' (p.3)... 'The Welsh Government faces severe fiscal challenges, with increasing demand for public services and higher levels of need than in England.' (p.4)

Furthermore, as the IWA has previously outlined in our Fiscal Firepower report,⁴⁷ the vast majority and an increasing amount of Welsh Government's budget is essentially pre-allocated to the delivery of public services. This is most notably the case for the NHS in Wales, which takes up around half of the budget, with Housing and Local Government and Education also receiving hefty chunks. Likewise, much of the Welsh Government's recent budget uplift will be used to supplement further spending on public services.

As a result, despite having a fairly strong list of powers and responsibilities, and a budget in the mid-20 billion, Welsh Government has severely limited ability to kickstart major projects to improve people's wellbeing in Wales.

⁴⁵ [Senedd Research, 2025, Budget 2025-26: What's new in the Welsh Government's Final Budget 2025-26?](#)

⁴⁶ [Welsh Government, 2024, Wales Economic and Fiscal Report 2024](#)

⁴⁷ [IWA, 2022, Fiscal Firepower: Effective Policymaking in Wales](#)

It is noteworthy that nowhere in the Welsh Government's Budget Narrative does it mention economic policy spending as a means to improve wellbeing, instead focussing on growing the economy.⁴⁸ Focus on green jobs⁴⁹ (through supporting apprenticeships, education and training), green energy (through accelerating planning and investments), culture and heritage, and climate change are welcome investments. Yet, to what extent do these investments match the scale of the economic challenges we face? There is a significant disconnect between Welsh Government's budget-setting process and the aspiration to increase wellbeing as a national mission as established in the Wellbeing of Future Generations Act.

We, therefore, call for the Welsh Government to take a wellbeing approach to their overall budget setting, articulating a long-term direction of travel for public spending. Despite being the home of the pioneering Future Generations Act, Wales is falling behind other nations who have foregrounded wellbeing in their budget-setting processes.

This is a point reinforced by the Future Generations Commissioner who notes in his response to the Welsh Government's 25-26 budget consultation that other governments 'are ahead of us' in 'aligning their budget setting frameworks' to 'their nation's own well-being indicators'.⁵⁰ He notes that 'Wales should be leading the way in this'.⁵¹

An international example of how to place wellbeing at the heart of budget setting is New Zealand's (now superseded) 2019 Wellbeing Budget.⁵² The Wellbeing Budget maps spending against a number of wellbeing goals such as 'improving child wellbeing' and 'taking mental health seriously'⁵³ and clearly measuring a broad area of metrics it aims to improve. This approach has subsequently been rolled back in New Zealand due to a changing political climate and a shift away from Wellbeing Economy toward more populist politics, which highlights the importance of ensuring sustained political leadership and buy-in to not only the approach but to guiding its effective implementation.

⁴⁸ [Welsh Government, 2025, Draft Budget 2025-26](#)

⁴⁹ The current "green jobs" discourse predominantly focuses on high-polluting sectors such as energy, manufacturing, construction, and their decarbonisation. These sectors already exhibit significant inequalities, particularly in terms of accessibility for women and marginalised groups. This narrow definition risks excluding other essential sectors—such as health and social care—that are vital to a sustainable and green wellbeing economy. Without a broader and more inclusive framing, the green jobs agenda is likely to reinforce existing inequalities ([Parken & MacBride-Stewart, 2023](#)).

⁵⁰ [Well-being of Future Generations Commissioner for Wales, 2025, Future Generations Commissioner 2025-26 WG Draft Budget Analysis: additional evidence to the Senedd Finance Committee](#)

⁵¹ Ibid

⁵² [Government of New Zealand, 2019, The Wellbeing Budget 2019](#)

⁵³ Ibid

Key principles in wellbeing budgeting should include:

- A long-term, total-cost approach to spending
- Ringfenced preventative spending, becoming a growing part of Ministerial budgets
- Multi-year spending agreements with public bodies
- Wellbeing-to-cost ratio assessment⁵⁴
- Map spending onto National Wellbeing Goals (as these are the articulation of the long-term purpose of government).

We, therefore, call for the Welsh Government to align their budget-setting processes to existing wellbeing goals and objectives. A Wellbeing Economy approach represents a cross-government commitment to furthering wellbeing priorities. Closer alignment between Welsh Government's budget-making and furthering those goals is vital. Such an approach should have tangible implications on where we allocate money, shifting to prevention, delivering better wellbeing outcomes, long-termism and attempting to rebuild local economies.

ECONOMIC STRATEGY

There is an urgent need for the next Welsh Government to set an overarching vision for the type of economy they are seeking to create and how it aims to get there.

For too long, we have tried to achieve everything, and in doing so, we have seen 'a failure to develop coherent and consistent economic strategy' post devolution.⁵⁵ This lack of vision has acted to stymie policy development and, critically, delivery.

An overarching economic strategy, which sets priorities and focusses resources on delivering against them, is paramount to long-term economic success. Such a strategy needs to answer fundamental questions such as:

- *What type of economy do we want to build?*
- *What are our strengths and weaknesses?*
- *What are we prioritising, what do people in Wales want from the economy?*
- *What key metrics do we want to focus on?*

Such a strategy should set the long-term direction of travel for our economy. Long-term policy coherence is vitally important given Welsh Government's role of setting the

⁵⁴ For example, see [Frayman, D et al, 2024, Value for Money: How to improve wellbeing and reduce misery](#)

⁵⁵ [Bradbury, J and Davies, A. 2024, Regional Economic Development and the case of Wales: Theory and practice and problem of strategy and policy](#)

direction for others to deliver policy against, most notably local government, but also key partners in the mission of achieving economic renewal, such as businesses.

Having a clear economic policy focus will also enable stronger partnership between UK and Welsh governments. These shouldn't present competing visions for Wales' economy, but *complimentary*. A devolved government can't do it all, it has neither the powers nor the budget, but we can have significantly more clarity on what our economy exists to achieve and therefore, where we allocate resources to achieve it.

Any long-term economic strategy should build on the back of the Welsh Government's *Economic Mission*.⁵⁶ A delivery plan, detailing how investments and policy are helping us to make progress, is also badly needed to ensure that delivery matches rhetoric.

Finally, a wellbeing-powered economic strategy should be co-created utilising a social partnership approach, and should set out, alongside stakeholders, what the areas of focus for the Welsh economy are for the next decade. We, therefore, in addition to the sector-wide social partnership groups, call for the establishment of an *Independent Wellbeing Economy Advisory Group*. Such a group should provide a long-term strategic forum to discuss policy ideas to further wellbeing and to provide scrutiny and challenge to Welsh Government policy delivery. This group should be independently chaired and have representation from academia, the public and third sectors, business, trade unions and citizens.

Importantly, a Wellbeing Economy approach should be the economic strategy, not a bolt-on.

⁵⁶ [Welsh Government, 2023, Economic Mission: priorities for a stronger economy](#)

A WELLBEING APPROACH TO DEVOLVED TAXATION

Since the Wales Act (2014),⁵⁷ devolved government has had growing, albeit limited, powers over taxation. Powers over income tax are unsuitable for Wales' flat tax base, with the lack of higher rate tax payers rendering any reform potentially regressive in nature. Hence, these powers to deviate rates haven't been used.

New taxes in Wales have been introduced, albeit replacing prior UK-wide taxes. The establishment of the Welsh Revenue Authority⁵⁸ provides the institutional capability to raise new forms of taxation which match devolved policy intention. Recent examples of using tax-varying powers include the Visitor Levy⁵⁹ as well as enabling councils to increase council tax premiums for empty and second homes.⁶⁰ Both of these empower local authorities to set differing rates for collection and to attempt to recompense local communities for the perceived costs of certain types of economic activity.

That being said, Welsh Government could further utilise and maximise their tax powers over the next Senedd to bring the biggest wellbeing benefit, in a manner which is socially progressive. This could help to fill our fiscal gap and support Local Government.⁶¹

The first step in this would be to recognise devolved taxation as a tool to incentivise or disincentivise behaviours, rather than see it merely as a source of revenue generation, given the limitations of devolved tax powers. A good example of this type of approach is Welsh Government's minimum 5-pence charge on single-use carrier bags provided by retailers,⁶² whose aim was and still is to change behaviour, rather than raising revenue.

With that in mind, potential areas of taxation which support wellbeing *could* include:

- Recommence plans to reevaluate Council Tax (which are based on house prices from 2003 in Wales), currently pegged for 2028,⁶³ which the IFS deems 'unambiguously a good idea.'⁶⁴ There are many ways to do this to create more progressive outcomes,⁶⁵ with increasing the number of council tax bands and the rates for higher value

⁵⁷ [Wales Act \(2014\)](#)

⁵⁸ [Welsh Revenue Authority](#)

⁵⁹ [Welsh Government, 2025, Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#)

⁶⁰ [Welsh Government, 2025, Council Tax on empty and second homes](#)

⁶¹ [OECD, 2020, The Future of Regional Development and Public Investment in Wales, United Kingdom](#)

⁶² (then) [National Assembly for Wales Research Service, 2016, Research Briefing Carrier bag charges: frequently asked questions](#)

⁶³ [Welsh Government, 2025, Find out about how we are reforming Council Tax](#)

⁶⁴ [IFS, 2023, Revaluation and reform of Welsh council tax should proceed without delay](#)

⁶⁵ [IFS, 2023, Assessing the Welsh Government's consultation on reforms to council tax](#)

households both options, as well as a more widespread reform like the introduction of land value taxation. There is a pressing need to reform council tax to support wellbeing, particularly for lower income households;

- Road User Charging with proceeds ringfenced for transport spend in Local Authorities (a notion highlighted in Welsh Government's National Transport Delivery Plan).⁶⁶ Such an approach would be socially progressive (around 22% of households in Wales don't have access to a car⁶⁷) and future-proof, as an alternative to road tax with EV ownership rising;⁶⁸
- Taxation on producers of unhealthy food products, with the proceeds ringfenced for Local Authorities' preventative health spend and without passing costs onto consumers;⁶⁹
- Tax breaks for socially and environmentally friendly businesses (especially SMEs) alongside taxation for high-emitting and environmentally damaging activities;
- A shift, wherever possible, in taxation from incomes towards land value⁷⁰ and assets and wealth.

A focus on devolved wellbeing-aligned taxes needs to consider not only how revenue is generated (and where), but how it is used. Hypothecation of taxation (where revenues are put towards a specific purpose) and taxation with double-dividends (delivering a benefit to the overall tax system beyond their initial purpose such as in a number of environmental taxes) can lead to a tax system which better reflects the *outcomes* we want to achieve.

Such interventions would aim to engender behavioural change in business and individuals rather than being a major revenue raising activity (although there is still a conversation needed on how this can also be achieved). An essential part of this discussion will be conducting an intersectional impact assessment when introducing taxes aimed at behavioural change, as such measures risk placing additional financial pressure on people living in poverty or on low incomes. Therefore, a debate around using tax powers for wellbeing benefits is sorely needed as we enter the next Senedd. This is especially the case in relation to which layer of government is responsible for tax raising - local government or devolved government - with associated issues and benefits from a harmonised approach.

⁶⁶ [Welsh Government, 2022, National Transport Delivery Plan 2022-2027](#)

⁶⁷ [Welsh Government, 2024, Transport \(National Survey for Wales\): April 2022 to March 2023](#)

⁶⁸ [Resolution Foundation, 2023, Where the rubber hits the road](#)

⁶⁹ As explored in: [Jones, A, Azam, S & Bellis, MA \(2019\). A Taxing Issue? The Tax System and Healthier Lifestyles in Wales.](#)

⁷⁰ [Welsh Government, 2020, Local land value tax: technical assessment](#)

WHAT GETS MEASURED GETS DELIVERED: UNLEASHING THE WELLBEING OF WALES

The current Welsh Government dashboard of economic metrics⁷¹ is insufficient for guiding the type of economy we want to create as well as measuring the impact in the shift of policy. We are using economic metrics which are a better barometer of the performance of UK Government economic policy than they are of Welsh Government's.

Nonetheless, Wales has made significant progress on its collection and reporting of economic data as a result of the Wellbeing of Future Generations Act. The National Indicators⁷² and the annual Wellbeing of Wales report (which uses the National Indicators to create a broader snapshot of the nation's wellbeing) both present data on all domains relating to wellbeing in Wales. Similar approaches to data have been used by other members of the wellbeing governments, including Iceland,⁷³ Scotland,⁷⁴ Canada,⁷⁵ and New Zealand.⁷⁶ Wales thus compares favourably.

But are the National Indicators, or the Wellbeing of Wales report, which brings them together to provide a comprehensive view of the nations' wellbeing, the means by which we measure success and drive better policy delivery?

The publication of the Wellbeing of Wales report certainly fails to elicit much political focus, with no Senedd debate, media scrutiny or Ministerial statements taking place on its 2024 publication.

With the data being collected, tracked over the long term and reported,⁷⁷ the annual Wellbeing of Wales report should be, for a Wellbeing Economy government, a central date in our diaries. Its publication should be subject to a debate and scrutiny in the Senedd, involve a statement from the First Minister, and interaction with wider stakeholders and civil society (not least the Future Generations Commissioner). We call for a specific debate to examine the purpose and functions of the report and its implications on policy making as a first step.

⁷¹ [Welsh Government, N.D., Welsh economy in numbers: interactive dashboard](#)

⁷² [Welsh Government, 2022, Wellbeing of Wales: National Indicators](#)

⁷³ [Government of Iceland, 2019, Indicators for Measuring Well-being](#)

⁷⁴ [Scottish Government, 2025, Scotland's National Performance Framework](#) [Archives as under review at time of writing]

⁷⁵ <https://www.canada.ca/en/departement-finance/services/publications/measuring-what-matters-toward-quality-life-strategy-canada.html>

⁷⁶ [New Zealand Treasury, 2024 \(last update\), Measuring wellbeing: the LSF Dashboard & Living Standards Framework Dashboard](#) [accessed 2025]

⁷⁷ [Welsh Government, 2024, Wellbeing of Wales 2024: National Milestones](#)

We also call for Wales' performance in the Wellbeing of Wales report to drive better, tangible economic policymaking, creating a more holistic conception of what our economy is trying to achieve with wellbeing at its heart. However, measurement needs to lead to delivery.

Furthermore, Welsh Government should focus on clearly and visually disseminating the data underpinning the report. The report presents an opportunity to better publicly communicate the progress of wellbeing in Wales, as well as highlight the centrality of the approach to public policy. Using similar visualisations as in Doughnut Economics,⁷⁸ the Welsh Doughnut,⁷⁹ and the Wellbeing Wheel,⁸⁰ we can clearly demonstrate progress and performance against the wellbeing indicators, and flag up areas in need of further work and improvement. We propose that such a visualisation should be established as part of the annual Wellbeing of Wales report. This should be an attempt to engage the public in how our economy functions and how this is central to people's everyday lives.

The above recommendations aim to grow the public salience and communicate the significance of the nation's wellbeing. The Wellbeing of Wales report should be a living, breathing document, which not only measures what we do, but shapes what we prioritise. This realignment of how we talk about and act in the economy is thus part of a vital movement to rebuild trust in the democratic process, realigning economic performance with what matters to people's lives. The 2026 elections, where we will be voting for an enlarged Senedd under a new proportional voting system, could be a moment to reset the relationship between Wales and its parliament for the long term.

Better Metrics to Enable Better Policy Focus

There is an urgent need for Welsh Government to provide focus on their priorities: *what does success look like? What metrics will improve over the next five years?*

Welsh Government's 'Wales Economic and Fiscal Report'⁸¹ outlines the performance of the Welsh economy and the fiscal context which underpins the Welsh Government's budget. However, the report falls short of aligning with wider efforts to prioritise and measure wellbeing in the context of our economy and government budgets. As a Wellbeing Economic government, metrics which provide a broader conception of

⁷⁸ Kate Raworth, 2017, Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist

⁷⁹ [Oxfam Cymru, 2020, The Welsh Doughnut 2020: A framework for environmental sustainability and social justice](#)

⁸⁰ E.g: [OECD, 2024, How's life in the United Kingdom?](#)

⁸¹ [Welsh Government, 2024, Wales Economic and Fiscal Report 2024](#)

economic success should be central to such government documents, providing a perspective which goes *beyond GDP*.⁸²

Although the Wellbeing of Wales report provides a comprehensive overview of the wellbeing of people in Wales, with measurement of 50 indicators, it hasn't necessarily acted to *guide* the delivery of economic policy. As such, there is a need to set tangible targets for key economic performance indicators. Doing so will provide certainty for crucial delivery stakeholders (such as local authorities, businesses, investors, and the Development Bank of Wales, amongst others) on long-term priorities.

These priority economic metrics could comprise of:

- Percentage of public procurement projects going to local firms
- Percentage of public funding support going to community owned businesses and cooperatives
- Percentage of overall staff paid a real living wage (with sectoral breakdown for foundational sectors)
- Percentage of public sector workers paid real living wage
- Trade union density and collective bargaining coverage (which we have written about in our *Beyond Social Partnership* report⁸³)
- Percentage of staff on zero-hour contracts
- Number of cooperative and community owned businesses
- Productivity
- Green house gas emissions (and their reduction) including of specific sectors
- Inequality as measured by share of income, wealth and assets
- Poverty and child poverty rates, and their intersections with wider inequalities.

All of the above would make meaningful indications of what Welsh Government priorities are and should be, and where they sit on the multiple competing trade-offs that economic policy-making necessitates. We can't do everything, so focussing on progressing certain indicators is critical.

We call on the next Welsh Government, through the development of an economic strategy which sets out a vision for Wales, to indicate which economic and social indicators they aim to progress and by when. Only by being explicit on what we are trying to achieve can we deliver policy which gets us to the overall vision. The above are intended as indications of how we can use metrics to guide our economic policy.

⁸² [Oxfam, 2023, Radical Pathways Beyond GDP](#)

⁸³ [IWA, 2023, Beyond Social Partnership? Devolved Levers to Support Trade Unions in Wales](#)

WALES' ECONOMIC OPPORTUNITY: THE GREEN ECONOMY

As set out in *Re-energising Wales*,⁸⁴ renewable energy and net zero more broadly, represent *the* long-term economic opportunity for Wales. It should be redistributive to communities and regions across Wales which have been damaged by prior extractive energy and industrial activities. This focus on the green economy is further boosted by the growth in net zero industries (such as green energy, heating, recycling and waste), which are now performing better than the rest of the UK economy.⁸⁵

Too often the transition to an economy without carbon is seen as an economic cost – a vision of a future where people have less choice and restricted freedoms. Yet, the green transition provides us with a moment of opportunity to reshape our economy, with a focus on delivering wellbeing for people whilst tackling socio-economic inequalities. This opportunity can only be achieved by active government, setting direction for the transition, willing to own a narrative of transformative change.

The transition to a net zero economy means reckoning with some wicked challenges across key foundational sectors like transport, energy, housing and land use. The solutions available should embed principles of social justice, ensuring that no one is left behind, alongside tackling our contribution to the climate crisis. This means prioritising equity, addressing existing inequalities, and making sure that the benefits of the green transition are shared by all, particularly those who have historically been excluded, including women and marginalised communities.

The transition to a greener economy is also an opportunity to decentralise our economies, enabling decision-making which supports the development and strengthening of our local economies. Nowhere is this more evident than in the energy transition, where we will move from a centralised fossil fuel-based system to one where power generation is physically based in communities across Wales. Welsh Government must ensure that we don't miss out on the redistributive potential of this transition, ensuring that communities benefit tangibly. This transition must also seek to address the stark inequalities with our current economy, rather than further entrenching them.

There is more that Wales can do with devolved levers to proactively *shape* and *create* markets and shift our economic trajectory. Easy wins would be mandating low-carbon solutions like solar panels and heat pumps in all new homes. Ensuring new homes are built to 'homes as power station' standards, so that they generate, store and release their own solar energy, could have broad economic benefits, such as delivering high building standards, tackling Wales' energy-poor housing stock, upskilling the

⁸⁴ [IWA, 2022, Re-energising Wales](#)

⁸⁵ [CBI and Energy & Climate Intelligence Unit, 2025, The Future is Green: The economic opportunities brought by the UK's net zero economy](#)

workforce, and utilising and improving local supply chains. We should utilise devolved powers to incentivise the creation of new markets which deliver wellbeing and economic benefits to businesses over the long term.

The electrification of many sectors of our economy lies at the heart of Wales' net zero transition. The IWA have consistently called for levers to ensure that Wales' renewable energy opportunity is economically redistributive. In our *Sharing Power, Spreading Wealth* report,⁸⁶ we call for all new renewable energy projects in Wales above 5MW to have between 5% and 35% community and local ownership, and a review of the Community Benefit Funding, to ensure that our communities gain real long-term economic value from renewable energy developments. There is also a need for reform of Community Benefit Funding in order to, again, ensure that communities retain greater economic benefit and income from renewable energy projects in Welsh communities. There is also work to be done to ensure that Community Benefit Funds deliver what communities practically need. We support the creation of a Wales Wealth Fund to reinvest income from renewable energy projects into further public investment projects which have long-term benefits for future generations. All the while, Trydan Gwrydd Cymru, publicly owned as it is, should act as a bastion of best practice, ensuring that local communities benefit from projects on the public estate.

Furthermore, green skills sit at the bedrock of any vision for the Wellbeing Economy and represent a significant challenge in Wales. Without proactive and progressive investment in workforce training, labour market inequalities could worsen. Last year's cuts to the training and apprenticeship budget created a risk to progress, so it is vital to maintain or even increase this funding to develop the skilled workforce needed for a green transition. While addressing the skills gap, it is essential to adopt an equality perspective to avoid replicating existing inequalities in the labour market.⁸⁷ This includes a plan for other, indirectly green jobs such as care. Creating a future-focussed skills map of Wales, which could be overseen by Medr given their five-year strategic plan and aims,⁸⁸ could help to match places with economic opportunities and skills needs.

Furthermore, we need to make significantly more progress on the rollout of the Net Zero Skills Action Plan⁸⁹ to ensure that the skills pathway is there to reap maximum economic benefit from the green economy. Targeting green economic opportunities for purposeful

⁸⁶ [IWA, 2024, Sharing Power, Spreading Wealth](#)

⁸⁷ [Parken and MacBride et al., 2023, An Equal and Just Transition to Net Zero: Summary report of the mainstreaming equality and just transition evidence panel.](#)

⁸⁸ Medr: the recently established Welsh Government's body to oversee, co-ordinate and manage the tertiary education and research sector in Wales. [Medr 2025-2030 strategy](#)

⁸⁹ [Welsh Government, 2024, Net Zero Skills Action Plan](#)

employment with tackling Wales' systemic challenges with economic inactivity could lead to huge productivity and wellbeing gains.

UNLEASHING THE POWER OF PUBLIC PROCUREMENT AND GRANTS

A key part of the Wellbeing Economy puzzle involves utilising public money to best improve the nation's wellbeing, whilst also ensuring that Wales spends money in a globally responsible manner.

Welsh Government estimates suggest that 'over £10 billion is spent on public procurement in Wales each year,' representing 'almost one third of all public sector spending.'⁹⁰ If we can ensure this is spent in ways which benefit wellbeing, then this could be truly transformative. This is also something that devolved government are tangibly able to shape by providing guidance, obligations and standards by which public money is spent.

It is important to note that public procurement is an area where Welsh Government and other public bodies have made progress. The Social Partnership and Public Procurement (Wales) Act provides a strong legislative basis for wellbeing aligned procurement, which focuses on wellbeing goals.⁹¹

We now need to shift from policy to delivery. The Welsh Government should outline how it aims to squeeze the most value from procurement legislation, including providing training and support to individuals and businesses, who are spending public money, to deliver effectively. Making sure that procurement spend is spent locally is a critical component of this.

We are indeed beginning to see good practice. NHS Wales have been at the forefront of exploring social value-based procurement, with their approach rooted in the foundational economy.⁹² Given the proportion of the Welsh budget they manage, this is a vital shift. Transport for Wales have also made significant strides in their procurement, including procuring their uniform contract from local social enterprise Elite Clothing Solutions.⁹³

But what can we do to accelerate this change?

⁹⁰ [Welsh Government, 2025, Smarter public procurement in Wales](#)

⁹¹ [Welsh Government, 2025, Social Partnership and Public Procurement \(Wales\) Act](#)

⁹² [NHS Wales, 2025, The Contribution of the NHS to the Welsh Economy: Driving a Well-being Economy in Wales](#) and [Welsh Government, 2025, A Healthier Wales foundation economy programme](#)

⁹³ [Transport for Wales, 2023, Ebbw Vale Social Enterprise awarded £2.5 Million contract by Transport for Wales](#)

Firstly, Welsh Government must ensure that all public bodies uphold the key principles of fair work.⁹⁴ That just 13 public bodies in Wales are Real Living Wage accredited and only three of 22 local authorities⁹⁵ details how public money could be paying poor wages. The fact that most public bodies are not accredited suggests a lack of prioritisation of upholding fair pay. And writing to public bodies to encourage them to accredit⁹⁶ has clearly not been fruitful. It is also vital that, as the Real Living Wage accreditation requires, all agency staff are also paid the real living wage. With so much of the Welsh Government's budget going towards wages (with revenue representing the vast majority of Welsh Government's budget⁹⁷), this could have a transformative effect not only on public sector workers, but local economies across Wales.

Secondly, Wales must be stronger in ensuring conditionality in public grants to ensure social value-based procurement is the norm rather than the exception. Legislation and guidance can have a role to play in ensuring that this happens. The Scottish Government's Fair Work First policy,⁹⁸ for instance, provides fair work criteria requirements which *require* recipients of discretionary public sector grants to embed fair work practices. For example, businesses seeking to access public grants must pay at least the real living wage (with few exceptions) and provide effective channels for employee voice (such as trade union recognition). All of this is underpinned by guidance (for applicants and grant-makers) and practical examples, as well as a Fair Work Convention,⁹⁹ an independent body that advises the Scottish Government on fair work, and had a key voice in devising the guidance. Such a model could work to entrench conditionality into wider procurement practices in public bodies.

Welsh Government have a framework for fair work,¹⁰⁰ so let's use it to accelerate social-value based procurement. But further than that, to *require* public money to consider wider wellbeing values. Doing so can help lift the societal impact of the public pound, support local economies, ensure fair work and strengthen local business practices. Meanwhile, we can utilise the social partnership approach in a Welsh context to drive forward meaningful partnership between businesses, the public sector, trade unions and the third sector, to ensure that guidance is deliverable, prioritising uplifting wellbeing which embeds social and climate justice at its core.

⁹⁴ [Welsh Government, 2024, A guide to fair work](#)

⁹⁵ [Future Generations Commissioner for Wales, 2025, Future Generations Report 2025](#)

⁹⁶ [Welsh Government, 2019, Written Statement: Living Wage Week](#)

⁹⁷ E.g: [Senedd Research, 2025, How is the Welsh Government spending its budget 2024-25?](#)

⁹⁸ <https://www.gov.scot/publications/fair-work-first-guidance-3/>

⁹⁹ [Scottish Fair Work Convention, N.D., The Fair Work Convention](#)

¹⁰⁰ [Welsh Government, 2024, A guide to fair work](#)

Additionally, to encourage public procurement, Welsh Government should embed a 'local first' principle. A key element in the Community Wealth Building approach, this means ensuring that local spending is retained in local economies and countries to circulate locally. More stringent procurement processes, which encourage public bodies to proactively seek locally based procurement, could reap significant benefits. Similar mechanisms could also seek to support the prioritisation of social businesses and cooperatives.

Welsh Government should also bring together public sector procurement professionals to exchange best practice in social value-based procurement. The Office of the Future Generations Commissioner would be best placed to guide and manage this forum, given their remit to transform public service delivery. Learning and sharing best practice can help to unleash the economic, social and environmental potential of the public pound. Indeed, the Social Partnership Council is already starting to undertake related work.¹⁰¹

The next Welsh Government should utilise its available tools to capitalise on this moment of change. Behaviours in public bodies when it comes to procurement are beginning to shift. Let's seize this moment by strengthening our rules on procurement. Welsh Government have limited levers to bring about economic change, but we can use the money we have to affect the best wellbeing impact.

PREVENTION AND LONG-TERMISM

Public services in Wales, particularly health and social care, are on an increasingly unsustainable path.¹⁰² Without a thriving, healthy and happy population, our economy will continue to underperform, in every sense.

As the nation that is proud to have put into law the need to consider the long-term implications of policy, we should be at the forefront of aligning our budget-setting mechanisms and policy interventions with a preventative approach.

This also means embracing the trade-offs that such a shift in approach necessitates. It means living and acting according to the views embedded in the Future Generations Act. This includes a mindset which embraces the whole cost of spending decisions as well as the costs of inaction, whilst considering the value of unpaid labour which is often the foundation on which the rest of our economy is built. This is particularly the case with the care sector, which is a foundational activity disproportionately undertaken by

¹⁰¹ [Welsh Government, 2025, Social Partnership Council](#)

¹⁰² [Future Generations Commissioner for Wales, 2023, Cymru Can: Health and Wellbeing](#)

women in Wales¹⁰³ and those in lower income households. While Wales has made some progress on establishing gender budgeting processes, much more can be done to accurately account for the disproportionate impact of Welsh Government's budget-making activity.

The need for a shift towards a preventative approach is most clearly apparent in the state of health and social care, where demand is continuing to rise. Health and social care take up over half of Welsh Government's Budget,¹⁰⁴ an increasing amount which is projected to grow even further.¹⁰⁵ If we do not invest in long-term interventions to support better health of our population and care, the Welsh Government will be left delivering little else but health and social care.

Furthermore, the Welsh Government should invest in care and social infrastructure as a vital step toward recognising and valuing unpaid labour. Care is essential social infrastructure – foundational to a well-functioning society and economy. Investing in care not only supports those who provide and receive it, but also helps remove the structural barriers that prevent many – especially women – from fully participating in the economy. As such, it is not only a matter of fairness, but also a powerful anti-poverty and economic inclusion, and wellbeing economy strategy.

Simply put, we cannot afford *not* to take a preventative approach to Wales' long-term challenges. It is clear that long-term, sustained investment in prevention is needed across ministerial portfolios, from adapting to and mitigating climate change, tackling the nature crisis, and uplifting our economic performance; there must be a cross-departmental commitment to prevention.

Welsh Government faces multiple practical issues in tackling long-term challenges, but the budget-setting process is chief among them. The annual budget-setting cycle, the lack of flexibility in the reallocation of capital and revenue spending, and the lack of flexible borrowing powers are all issues our government need to grapple with. Inflation also presents significant challenges to the Welsh Government's ability to deliver its budget. This makes long-term investment particularly challenging for devolved government.

This is coupled with medium-to-long-term challenges to the sustainability of local government finances,¹⁰⁶ which deprive local authorities from the ability to meaningfully

¹⁰³ [Carers Wales, 2024, State of Caring in Wales](#)

¹⁰⁴ [Welsh Government, 2025, Draft Budget 2025-26](#)

¹⁰⁵ [Welsh Government, 2024, Wales Economic and Fiscal Report 2024](#)

¹⁰⁶ [Wales Fiscal Analysis, 2024, The medium-term fiscal outlook for local government in Wales](#) and [Senedd Record, 2024, Plenary 16/10/2024](#)

diverge their local economic policy interventions from Welsh and UK governments' broader policy agendas. Budgetary pressures at a local level mean a retrenchment to delivering statutory services and a limited ability to deliver much beyond this. This significantly constrains local authorities' ability to invest in preventative approaches to local challenges. This also significantly disempowers them, with the ability, capacity and resource to diverge policy hampered. In the pivot to prevention more will need to be coordinated and delivered locally, with local delivery matching local needs. A disempowered local government system severely limits this shift.

A preventative and long-term approach to tackling our major social, environmental and economic challenges also aims to tackle their root causes, rather than offer short-term solutions. This approach recognises the systemic, multi-faceted set of challenges the nation faces. The cure must match the sickness. There are no quick, easy fixes to systemic challenges like Wales' languishing productivity levels, as one example, which requires a long-term approach to achieve a meaningful and positive change.¹⁰⁷

Importantly, taking a preventative approach also means we spend in a different way. We should support innovations leading to decentralised services, support for unpaid labour, the voluntary and community sectors, and introducing new forms of decentralised and cooperative ownership models. Not out of the necessity of shrinking public budgets, but because these models offer something the public sector doesn't – a different, community-rooted approach to tackling our foundational challenges.

We call for the Welsh Government to introduce a new category of spending to their budget-making process – ringfenced preventative spending. This should form an increasing portion of Welsh Government's departmental budgets over time as the shift towards a preventative approach to spending embeds. We join the Future Generations Commissioner¹⁰⁸ and the Senedd Culture and Sport Committee¹⁰⁹ in this call to action.

¹⁰⁷ [Jones, M, 2025. Wales' Productivity Challenge: A Focus on the Future](#)

¹⁰⁸ [Future Generations Commissioner for Wales, 2025, Protect funding for prevention in Welsh Government budgets , says Future Generations Commissioner](#)

¹⁰⁹ [Senedd Culture and Sport Committee, 2025, A decade of cuts: Impact of funding reductions for culture and sport](#)

WELLBEING AND BUSINESS: UNLEASHING SOCIAL IMPACT

Businesses have a critical role to play in building the Wellbeing Economy in Wales. Welsh businesses can and do deliver a host of wellbeing benefits to communities. We must support them through funding, training and guidance to maximise their potential to deliver wider social value.

The current composition of the Welsh business sector may be considered striking. A small number of firms contribute the most to the economy, whilst SMEs represent over 99% of enterprises in Wales, 62.3% of employment and 43.4% of turnover.¹¹⁰ This shows that the economy primarily consists of small and medium enterprises, many of which directly interact with the public sector and anchor institutions.

So how do we ensure incentives match the public value we want businesses in Wales to have, beyond procurement alone?

Welsh Government should increase specialist support for businesses in Wales to deliver social value. This means support with living wage accreditation (as Cynnal Cymru are currently funded to deliver¹¹¹), and other practical means to incentivise businesses to commit to sustainable practices and drive forward the triple bottom line approach¹¹² to corporate governance.¹¹³

Welsh Government should once again ambitiously support growth in the number of social businesses in Wales, attempting to double the amount of cooperatives and community owned businesses. This should include proactive encouragement in key sectors such as energy, food and care.

Encouraging community ownership models and removing regulatory barriers, especially of key assets, should be part of a vision for an economy which strengthens community resilience across Wales. The IWA, alongside a coalition of other organisations, continue to call for a Community Empowerment Bill¹¹⁴ in order to not only remove barriers facing communities attempting to purchase assets, but to actively encourage it. Sitting alongside the legislative approach (which has support of the Local Government and Housing Committee¹¹⁵) should be key delivery tools, including ringfenced investment to support community ownership initiatives such as a Community Asset Fund, alongside dedicated and long-term support packages to enable the effective management of an

¹¹⁰ [Stats Wales, 2023, Size Analysis of Active Businesses in Wales, 2023](#)

¹¹¹ [Cynnal Cymru, N.d., Living Wage Wales](#)

¹¹² [Cwmpas, 2024, How alternative business models can help the green economy to thrive in Wales](#)

¹¹³ [Cwmpas, 2021, Social enterprise manifesto](#)

¹¹⁴ [IWA, 2022, Our Land: Communities and Land Use](#)

¹¹⁵ [Senedd Housing and Local Government Committee, 2022, Community Assets](#)

asset post-transfer. Such efforts are an attempt to provide communities with the tools to set their socio-economic future, increasing community and national wealth, and embedding democratic principles in our communities. The fact that the Scottish Government is far ahead of Wales in this space (through a Community Right to Buy and the Scottish Land Fund) displays the possibility for devolved government to act, but also highlights that Wales is lagging behind other UK nations in this area. This is why the IWA have called Welsh communities 'the least empowered in Britain.'¹¹⁶

Giving communities a say in local foundational economic assets is not a bolt-on to economic policy, it should be central to it. This will have a number of spillover benefits, not least acting to increase trust in the democratic process.

Welsh Government should also examine how they can provide the best possible guidance to businesses to ensure they can maximise their positive social and environmental impact. Wales currently has 36¹¹⁷ B-Corp certified businesses, which shows, despite questions about the B-Corp approach,¹¹⁸ the appetite for businesses in Wales to commit to improving their wider impact. Welsh Government should explore how they can guide businesses to provide wellbeing benefits to their customers, supply chains and to the communities they operate in. Living Wage accreditation, for example, is a practical means for businesses to improve the wellbeing of their workforce, but what is the equivalent for environmental sustainability? Creating a toolkit and resourcing active engagement on wellbeing-aligned business practices will be required to further support businesses - Social Business Wales and the FSB Wales are in good positions to support delivery.

Support should reflect the social purpose we want businesses to have, rather than disincentivising activities which would positively contribute to the nation's wellbeing. And this has to come from a consistent and long-term economic strategy.

A more proactive relationship with businesses in Wales should consider what problems we want them to solve, and how we can then support them to do so. Some of these problems could include:

- Net zero
- Housing
- Agriculture and land use

¹¹⁶ [IWA, 2022, Our Land: Communities and Land Use](#)

¹¹⁷ [Lavington, D. 2024, How is the B Corp movement growing across the UK?](#)

¹¹⁸ [BBC, 2024, As greenwashing soars, some people are questioning B Corp certification](#)

Providing businesses in Wales with a more explicit set of long-term priorities will be helpful. Aligning our incentives and business support to these long-term priorities will further help create the conditions for businesses to thrive, whilst aiming to maximise the wellbeing benefit of the private sector's activities.

INVESTMENT

Unsurprisingly, we need investment if we are to meet the multiple challenges Wales faces. Investment in renewable energy, housing decarbonisation, transport infrastructure, frontier technologies, health service modernisation and social infrastructure, to name but a few. With little headroom in the Welsh Government budget to invest at the scale required, how we attract investment and how we direct it are vital questions for the Welsh economy.

Due to the shortcomings of the Welsh Government budget, we must create mechanisms which extract maximum public wellbeing value when attracting private sector investment. We must also consider that the cost of private sector investment over the long term must be borne by someone and pushing that burden on to future generations is a risk.

The relatively new vehicles created by Welsh Government, the Development Bank of Wales (DBW) and the Corporate Joint Committees (CJCs), have a key role to play when it comes to investment. Despite questions about accountability and democratic oversight, both have access to the level of finance needed for investment in our long-term economic direction,¹¹⁹ in a manner which, in many ways, the Welsh Government and Local Authorities are not able to do.

We must enable these bodies to go beyond fixing market failure, which DBW states is its 'primary role.'¹²⁰ Rather, the role of public finance should be to *create* and *shape* markets, based on public outcomes and value, namely, to tackle major challenges and create the conditions for improving our wellbeing. The way we design our financial frameworks is 'not neutral,' as it shaped both investments and activities.¹²¹ Greater strategic direction from Welsh Government can help to guide investment strategies that prioritise long-term wellbeing.

¹¹⁹ DBW have £1.9 billion funds under management - [Development Bank of Wales, 2022, Corporate Plan 2022/27](#) - Cardiff Capital Region, for example have made £1.23 billion investments as per: [Cardiff Capital Region, N.D. The City Deal](#)

¹²⁰ [Development Bank of Wales, 2022, Corporate Plan 2022/27](#)

¹²¹ [Mazzucato, M, and Macfarlane, M. L., 2019, A Mission-oriented framework for the Scottish National Investment Bank](#)

That both bodies have relatively recently come under the remit of the Future Generations Act is welcome, but more can be done to foster complimentary incentives and structures between them and Welsh Government. They are a vital part of the picture in accelerating investment.

We call for Welsh Government to create a long-term Investment Framework to provide direction to private sector partners. This framework should build off the back of the economic strategy laid out at the beginning of this report and will be vital in setting direction for a host of other actors. There is an unfilled role for Welsh Government to proactively set the direction for DBW and the CJsCs, detailing what they should be prioritising in their investment decisions. A tighter, more explicit economic strategy, aligned with an investment framework, can ensure a consistency between Welsh Government rhetoric and policy delivery.

A further part of the investment picture is considering how Welsh Government can act to pool resources for investing in long-term projects which can meaningfully alter Wales' economic direction. The IWA have consistently called for public sector pensions to be invested in national economic investments, such as renewable energy projects,¹²² for instance. This pot of money, representing £25 billion in assets,¹²³ should be invested in alignment with Welsh Government's commitment to long-term wellbeing - how Welsh Government can help direct this significant amount is critical. The IWA has also been at the forefront of calls for the devolution of the Crown Estate in Wales, to ensure that economic benefit from large scale floating offshore wind projects is captured and pooled to turbocharge broader net zero investment.¹²⁴ Whilst this seems unlikely to be delivered, with UK Government not supportive,¹²⁵ we continue to call for it.

As discussed previously, capturing and pooling some of the economic benefit from large scale private renewable energy developments could also be utilised to create a National Wealth Fund for Wales.¹²⁶ The fund should capture 'sovereign wealth fund payments' of at least 15% of net revenues made from future large scale onshore and offshore wind projects with an installed capacity over 50 MW in Wales.¹²⁷ The fund, which could also be supplemented by using profits from Trydan Gwrydd Cymru, would increase the fiscal capacity for Welsh Government to invest at scale.

¹²² [IWA, 2022, Re-energising Wales](#)

¹²³ [Business News Wales, 2025, Wales Pension Partnership Pools £25bn of Assets in New Investment Company](#)

¹²⁴ [IWA, 2022, Re-energising Wales](#)

¹²⁵ [BBC Wales, 2025, Uk Government rejects Crown Estate devolution](#)

¹²⁶ [IWA, 2024, Sharing Power, Spreading Wealth](#)

¹²⁷ Ibid

Another way that Welsh Government can create a sustained and long-term pool of funding is by taking equity stakes in businesses it invests in, rather than providing grants or loans to be repaid. This would secure long-term returns from public investments. Such an approach should become the priority for deliverers of Welsh Government's business investments, through CJs, the Development Bank of Wales and Welsh Government itself. Although this is starting to happen as is the case with the Morlais tidal energy project¹²⁸ and Inyaga Marine Energy Group,¹²⁹ it needs to be accelerated and turned into the main operating model of these organisations, rather than just a bolt-on.

In other words, providing market certainty by Welsh Government is critical, whatever they choose to prioritise. The private sector has consistently shown willingness to invest in Wales, provided it knows the long-term conditions of market access – and Welsh Government should be more explicit in this regard. An investment framework, aligned to an economic strategy, can provide that certainty and enable the private sector to engage effectively and create partnerships to enable delivery.

Finally, when discussing the costs associated with the nation's investment needs, it is also important to recognise the significant costs of *not* investing now: costs which are ever increasing, especially when it comes to the climate emergency. If we do not vastly accelerate spending on net zero industries, we are not only being globally irresponsible, but are also further entrenching adverse impacts on wellbeing and communities, increasing exposure to climate risks, ultimately making the transition much more costly over time.¹³⁰

ACCELERATING PURPOSE-DRIVEN INNOVATION

Part of the economic renewal process we have outlined must include mechanisms for cultivating a more innovative economy in order to tackle social challenges, but also to deliver wider long-term economic benefits.

Wales is not starting from a place of strength when it comes to its innovation ecosystem. Prof. Calvin Jones notes that the last two decades have seen Wales 'significantly underperform the UK average on research and development as a

¹²⁸ [Welsh Government, 2025, Major north Wales tidal energy project expands to support green growth](#)

¹²⁹ [Welsh Government, 2025, Welsh Government backs tidal power with £2 million investment](#)

¹³⁰ [Wales Net Zero 2035 Challenge Group, 2024, Summary report: Pathways to a prosperous and resilient Wales in a changing future](#)

percentage of gross value added,' with policy interventions in that time having little impact.¹³¹ Indeed, R&D spend in Wales is far below the UK average.¹³²

How can we fix this, and create a system which supports scalable, purposeful and wellbeing-aligned innovations? Addressing this challenge can contribute to a more dynamic, socially-aligned and place-based economy fit for the future.

We call for the establishment of a new independent innovation agency, a Future Generations Lab, which is deeply entrenched in our journey to wellbeing for future generations, as proposed by Prof. Jones in the IWA's *the welsh agenda* (Y Pair Dyfodol).¹³³

Drawing on the economic strategy noted above, Welsh Government should put forward key long-term challenges they want to tackle. The Future Generations Lab would take these challenges and allocate resources to R&D projects aimed at tackling them. Aligning innovation spending with a wider economic strategy will ensure our innovation projects contribute to a wider, shared goal of delivering wellbeing benefits to people.

Beyond setting its remit, the Lab should act independently of government, in order to limit the ability of political considerations to constrain delivery. A tighter focus on innovation spend will also help Wales to truly engage in delivering social purpose, whilst also catalysing cross-sector collaboration resulting in 'spill-over' benefits.

Progress on aligning social purpose with innovation is already being seen in partnerships across Wales, spanning local government, academic institutions, the third sector and business. This theme was explored at an event hosted by Nesta Cymru and Cardiff Capital Region (CCR),¹³⁴ which highlighted a diverse range of projects from CCR's *Challenge Fund* including spawning new innovations and delivery methods in health and transport. Such collaborations show how a more targeted approach to innovation spending, unleashed from Cathays Park, could lead to an innovative, more ambitious way of governing and tackling our complex social challenges. Doing so would also mean making the most of our place as a small, nimble nation.

A Wellbeing Economy for Wales should create the space for the purposeful application of innovations which help to tackle our most wicked systemic challenges. Rewiring our

¹³¹ [Jones, C, 2023, Can't get there from here? The challenges of innovation and transformation in Wales](#)

¹³² [Office for National Statistics, 2023, UK public-funded gross regional capital and non-capital expenditure on research and development: financial year ending 2021](#)

¹³³ [Jones, C, 2024, Y Pair Dyfodol - A new cauldron for Welsh Innovation](#)

¹³⁴ [Nesta Cymru and CCR, 2025, Missions in Action](#) - watch back at [CCR's Youtube](#)

innovation ecosystem through foregrounding wellbeing can help to create a host of long-term economic opportunities.

CONCLUSION

This paper calls for an ambitious suite of policies for the next Welsh Government to radically alter the mechanisms underpinning our economy.

Wales is already on the path to becoming a Wellbeing Economy. Indeed, it is being lived across communities across the nation today. But our economy is failing all too many, it's failing communities, people and the planet.

More can be done by our devolved government to change the course of our economy, utilising our available resources and capabilities to achieve maximum wellbeing impact. We need to accelerate interventions to enable a flourishing Wellbeing Economy in Wales. This document provides some ideas on how a future Welsh Government can practically go about this.

This paper proposes only *some* of the solutions, rather than *all* of them on how we can work towards a Wellbeing Economy. There are various elements, however, which require further proactivity, strategy and collaboration from Welsh Government. Further examination is needed on long-term fixes to the crisis in health, care and nature - we hope to address these comprehensively in future work.