

# Report on Rural Revitalization and Development of Characteristic Industries



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# Comprehensive Report on Rural Revitalization and Development of Characteristic Industries

## Executive Summary

**Diplomatic & Strategic Alignment:** Recent China–Sri Lanka joint statements emphasize high-level cooperation under initiatives like the Belt and Road, targeting agriculture, infrastructure, and poverty reduction. Strengthening this partnership supports Sri Lanka’s policies for rural development and economic recovery.

**Agricultural Modernization:** China’s high-tech farming (mechanization, AI, drones) greatly exceeds Sri Lanka’s capabilities. With Sri Lanka’s machinery usage under 10%, adopting Chinese models could boost yields in staples like rice and tea. Public–private efforts and training programs will be needed to address equipment costs and operator skills.

**Industry Integration & Governance:** Inspired by Yunnan’s model of combining agriculture with tourism, processing and branding, Sri Lanka can promote specialty products (e.g. spices, herbal medicines) through cooperatives and rural parks. Strengthening village organizations and using digital governance (e.g. e-governance platforms) will be key to efficient implementation.

**Expected Impacts:** These strategies support faster growth—Sri Lanka’s GDP is projected at 4.6% in 2025, with agriculture contributing ~2% growth in Q2 2025. Inclusive agricultural development and branding can reduce the nearly 25% of Sri Lankans who are multidimensional poor. Increased rural incomes, food security, export earnings (e.g. tea, cinnamon) and tourism will follow. For example, a new World Bank US\$100 million “Rurban” project will help 380,000 Sri Lankans with climate-smart agriculture and irrigation improvements illustrating external support for these goals.

## 1. Introduction

This report synthesizes insights from the **Seminar on Rural Revitalization and Development of Characteristic Industries for Lancang-Mekong Countries** and applies them to Sri Lanka. China's **Comprehensive Rural Revitalization Plan (2024–2027)** focuses on food security, industrial integration, infrastructure, and social development. Sri Lanka faces parallel challenges: low farm productivity, fragmented smallholdings, and increasing climate risks. Sri Lanka's economy is recovering (GDP growth **4.9% in Q2 2025** vs 4.1% a year earlier), yet **nearly one-quarter of citizens remain multidimensionally poor**, and another half are vulnerable. New national initiatives—such as the "*Prajashakthi*" rural empowerment program—reflect a shift toward inclusive growth. In the **2026 Budget**, LKR 180 billion was earmarked for rural development (Prajashakthi and related programs) The government is also driving digital transformation (allocating funds for e-governance) to improve public service delivery. This context underscores the urgency of modernizing agriculture, diversifying rural industries, and strengthening grassroots institutions.

## 2. Summary of Key Topics Covered

### 2.1 Xi Jinping Thought on Diplomacy and China's Diplomacy in the New Era

Emphasis on **peaceful cooperation and mutual development**, echoing China's vision of a "community with a shared future". Recent high-level visits have reinforced China–Sri Lanka strategic trust and pledged closer economic links.

Focus on **South–South cooperation** and multilateral initiatives (Belt and Road, Global Development Initiative) that align with Sri Lanka's own programs for rural empowerment.

### 2.2 Current Status and Development of Agricultural Mechanization

In China, **farm mechanization is advanced**, with high coverage in land preparation, sowing, irrigation and harvesting, often using drones, AI, and

precision agriculture. Seminar speakers noted China's use of smart farming technologies across most arable land.

By contrast, **Sri Lanka's mechanization is very low** – reported at under 10% of farms. This gap limits productivity. Scaling up shared machinery services and training (see Section 4) is seen as a priority.

### **2.3 Overview of China's National Conditions and Yunnan Province**

Yunnan Province was highlighted for its **rich biodiversity and ethnic diversity**. Its rural development model integrates agriculture, tourism and traditional culture. For example, Yunnan's "under-forest economy" (cultivating crops, medicinal plants and tourism in forests) provides sustainable income to farmers.

The region's model of **premium branding and quality control** for plateau specialty crops (e.g. Pu'er tea, medicinal herbs) underscores the value of geographical indication (GI) labels and robust supply chains.

### **2.4 Crafting a New Vision for Rural Areas**

China advocates a **holistic rural vision** centered on five aspects: industry (strong agri-industries), talent (rural entrepreneurs), culture (preserving heritage), environment (eco-friendly farming), and organization (strong cooperatives/governance).

A national plan (2024–2027) sets clear targets: by 2027, achieve major progress in modernizing rural infrastructure and industries, with agricultural modernization largely realized. This includes upgrading irrigation, roads and digital networks to meet modern living standards.

### **2.5 Industrialization and Branding of Plateau Characteristic Agricultural Products**

The seminar emphasized developing **distinctive brands** for regional crops (using climate/natural advantages), backed by quality-control and marketing systems.

Chinese examples include strong GI systems (e.g. for Yunnan coffee and tea) and aggressive promotion to domestic and export markets.

## **2.6 Xi Jinping's Key Directives on Agriculture, Rural Areas, and Farmers ("Three Rural Issues")**

Core directives are: **ensure food security**, improve rural infrastructure, and raise farmers' incomes. In practice, this means defending the "grain basket" (self-sufficiency in staple crops) and scaling up agricultural efficiency.

China's 2025 policy document (No.1 Central Document) explicitly calls for bolstering grain production, consolidating poverty-alleviation gains, and transforming rural governance and land policies.

## **2.7 Strengthening Rural Primary Organizations & Governance**

China's model relies on **empowered village committees, cooperatives and integrated local committees** to plan and manage rural projects. Digital governance tools are used to track progress.

Seminar discussions noted China's use of top-down councils and grassroots councils to coordinate across 25 ministries in a unified approach. This "whole-of-government" strategy is cited as a lesson for Sri Lanka's fragmented rural agencies.

## **2.8 Ecological Planting & Medicinal Materials in Yunnan**

Yunnan's specialization in eco-friendly farming and high-value medicinal plants (e.g. ginseng, herbal remedies) was showcased. This includes **organic cultivation** and village training centers for value addition.

Sri Lanka can adapt these ideas to its Ayurvedic herbs and spices sectors, linking forest and hill country farming with global wellness markets.

## **2.9 Rural Revitalization through Integration of Primary, Secondary, and Tertiary Industries**

The “3+ industry” model (agriculture + processing + services) featured prominently. China has developed rural industrial parks combining farms, factories and tourism, plus e-commerce channels.

Seminar examples include rural areas offering farm stays, agri-expo centers, and cooperatives selling processed goods online – creating synergy across value chains.

### **2.10 “Thousand Villages Demonstration and Ten Thousand Villages Renovation” Project**

This Chinese program builds **model villages** with upgraded infrastructure (roads, water, waste management), environmental beautification and heritage conservation. Residents participate in planning and maintenance.

Seminar field visits saw villages with clean streets, recycling systems, and solar lighting – illustrating community-driven rural modernization.

### **3. Detailed Observations from Field Visits**

**Modern Agricultural Centers:** We observed advanced farming equipment in action – GPS-guided tractors, drones for planting and spraying, and precision-irrigation systems. These greatly reduce labor and increase yields. Farmers were trained in using sensors and mobile apps for crop monitoring.

**Rural Industrial Parks:** Local processing facilities were located adjacent to farms (e.g. rice mills, spice drying units). These parks integrated packing, quality testing, cold storage and export logistics. Branded packaging centers on-site supported direct export.

**Model Villages (Thousand Villages Project):** Demonstration villages were notably clean and organized. Infrastructure was well-planned: paved roads, efficient waste-management systems (biogas digesters, recyclers) and green public spaces. Village committees actively managed improvements. Cultural elements (folk art, temples) were preserved as tourism attractions.

**Herbal & Medicinal Plant Sites:** We visited cooperatives cultivating native medicinal plants (e.g. Yunnan ginseng). These farms used organic methods,

shade trees, and strict processing protocols. On-site training centers taught farmers how to process raw herbs into oils, teas and extracts, adding value.

These experiences underscore the importance of **integrated planning, community participation and government support**. For example, cooperatives in Yunnan aggregated small farms to achieve economies of scale, while eco-tourism projects created alternative income. The coordinated effort – from high-tech farms to village governance – demonstrated how multiple sectors can combine for rural prosperity.

#### **4. Technical Framework to Apply Chinese Concepts in Sri Lanka**

Drawing on these lessons, the following framework outlines Sri Lanka-specific strategies. Recent partnerships (e.g. World Bank's US\$100M climate-smart agriculture project) can complement national efforts.

##### **4.1 Establish a National Rural Revitalization Council and Policy Framework**

**Central Coordination:** Create a National Rural Revitalization Council (possibly under the Ministry of Finance or Presidential Secretariat) to unify rural development policy. This mirrors China's integrated approach to poverty reduction.

**Streamline Ministries:** Formally align the roles of Agriculture, Plantation Industries, Irrigation, Tourism, Environment and Local Government under one umbrella strategy. Assign clear responsibilities for each ministry in rural revival.

**Long-Term Plan:** Develop a 10-year Rural Revitalization Master Plan (2025–2035) aligned with economic recovery goals. Set annual targets for rural GDP contribution, mechanization levels, and poverty reduction, tied to budget allocations.

##### **4.2 Accelerating Agricultural Mechanization in Sri Lanka**

**Mechanization Centers:** Establish District-level Agricultural Mechanization Service Centers with shared machinery fleets (tractors, harvesters, sprayers). This overcomes high unit costs by pooling resources.

**Public-Private Partnerships:** Encourage PPPs or cooperatives to operate machinery rental services. Provide subsidized loans or incentives for local dealers to maintain fleets.

**Training Programs:** Launch vocational training for farm machinery operators (combine harvester, tractor drivers), drone pilots and equipment mechanics through agricultural colleges and polytechnics.

**Small-Scale Tech:** Promote small-power mechanization (mini tillers, motorized sprayers) for tea, vegetables, and fruit farmers.

**Precision Agriculture:** Introduce AI-supported crop monitoring systems (drones, satellite imagery) initially for paddy zones to optimize inputs and reduce losses.

*Sri Lanka's mechanization is currently under 10%, so these steps are crucial for raising productivity.*

#### **4.3 Developing District-Level Characteristic Industries**

Given Sri Lanka's agro-climatic diversity, we propose **province-specific industries:**

**Northern Province:** Palmyrah (toddy, jaggery, handicrafts); drought-resilient crops (maize, cassava); solar energy farms.

**Eastern Province:** Fisheries processing (tuna, shrimp); banana and mango value-add (chips, powder).

**North Central Province:** Paddy clusters with integrated rice food processing; inland aquaculture (tilapia, ornamental fish farms).

**Central Province:** Tea tourism circuits (farm stays, tea trails); spice clusters (cinnamon, pepper) with modern milling; high-altitude floriculture (cut flowers for export).

**Uva Province:** Organic tea farms; herbal and medicinal plant zones (e.g. sansevieria, lemongrass); eco-tourism (hiking, cultural villages).

**Southern Province:** Cinnamon and Ceylon Kithul (sapotilla) product clusters (treacle, jaggery); coastal tourism crafts (shell products).

**Sabaragamuwa Province:** Gemstone tourism and jewelry making; rubber value-add products (latex gloves, mats).

**Western Province:** Urban-proximate agro-processing hubs (spice drying, coconut products); export food manufacturing (snacks, dried fruits).

**Priority Actions:** Introduce Geographic Indication (GI) branding for signature products (Ceylon cinnamon, hill-country teas, Ceylon pepper, Kithul treacle), linked to quality standards. Build modern packaging and cold-storage centers in each province. Explore *Export Facilitation Zones* in rural areas to ease logistics for small producers.

#### **4.4 Creating Integrated Rural Industrial Parks**

**Small Economic Zones:** Develop multi-purpose rural industrial parks near major cultivation areas (e.g. Polonnaruwa, Monaragala, Matale, Kandy, Galle) following China's model.

**Facilities:** Include processing units (rice mills, spice grinders, juice extractors), training institutes (for farmers and youth), and e-commerce service centers (internet access, logistics coordination).

**Community Markets:** Host permanent farmers' markets within parks where local products are sold under common branding.

#### **4.5 Strengthening Grassroots Governance in Sri Lanka**

**Empowered Village Committees:** Institute a "Village Development Governance" framework. Grant Pradeshiya Sabhas and newly formed village assemblies powers to plan and budget for local projects.

**Capacity Building:** Provide continuous training for local officials on strategic planning, finance, and community engagement, akin to China's cooperative cooperatives system.

**Digital Oversight:** Deploy e-governance platforms (mobile apps, online dashboards) for tracking project implementation and budgets, enabling transparency and citizen feedback.

#### **4.6 Developing Sri Lankan Model Villages (Pilot Phase)**

**Pilot Selection:** Identify 20 model villages across different agro-ecological zones (e.g. dry zone, wet zone, hill country) that can showcase integrated development.

**Infrastructure Upgrades:** Phase I will provide roads, improved water supply, sanitation, waste-management systems and community centers in selected villages.

**Livelihood Diversification:** Phase II introduces new income streams: agro-tourism homestays, local food processing units (spice packets, preserved fruits), and craft workshops (e.g. weaving, pottery) for women and youth.

**Green Villages:** Phase III focuses on environmental beautification – planting shade trees, building small parks, installing solar streetlights and biogas digesters. Install signboards and trails to promote agro-eco tourism.

#### **4.7 Strengthening Ecological Agriculture & Ayurvedic Value Chains**

**Medicinal Plant Zones:** Establish dedicated cultivation areas for key Ayurvedic herbs (e.g. neem, adhatoda, citronella) in Uva, Sabaragamuwa and Central provinces. Provide farmers with organic inputs and training.

**Modern Ayurvedic Processing:** Invest in clean-room herbal extract facilities to upgrade local Ayurveda and herbal supplement producers to international GMP standards.

**Eco-Friendly Packaging:** Promote biodegradable packaging (coconut husk containers, leaf wrapping) for herbs and organic products, aligning with global green trends.

**Certification & Traceability:** Expand organic certification programs and blockchain-based traceability so Sri Lankan herbs and spices can command premium prices abroad.

## **5. Expected Outcomes for Sri Lanka**

**Higher Rural Incomes & Employment:** Farmers will earn more through higher yields and new value-added activities, reducing underemployment. Wage growth in agriculture is expected to rise significantly as mechanization and exports grow.

**Stronger Rural SMEs & Exports:** Emergence of competitive rural enterprises (e.g. spice-processing firms, herbal exporters) will boost foreign exchange earnings. For example, China has pledged to assist Sri Lankan tea and spice exporters through trade expos and e-commerce (RIETC).

**Improved Food Security & Sustainability:** With modernized irrigation and farming techniques, domestic production of staples (rice, vegetables) will be steadier and more climate-resilient. This aligns with China's focus on grain security.

**Accelerated Infrastructure Development:** Upgraded roads, water systems and rural electrification will improve quality of life and market access in target villages.

**Growth in Rural Tourism:** By combining scenic agriculture and culture (tea trails, heritage crafts), villages can attract tourists, generating service-sector jobs and foreign earnings.

**Youth Engagement & Skill Development:** Technology-driven farming and hospitality projects will create modern jobs for rural youth, slowing migration to cities.

**Digital Governance & Efficiency:** E-platforms for service delivery and project monitoring will make local governments more responsive and transparent.

**Poverty Reduction:** These reforms support the broader economic recovery – Sri Lanka’s GDP is projected to grow ~4.6% in 2025. In combination with targeted social programs, this can significantly reduce the ~25% of citizens living in multidimensional poverty. (For context, World Bank notes 2025 growth at 4.6% with steady industry and services expansion)

## 6. Conclusion

China’s rural revitalization experience offers a **blueprint** for Sri Lanka’s rural renaissance. Key lessons include the importance of unified planning (linking farms to industry and services), empowered local governance, and leveraging technology for productivity. Sri Lanka can adapt these strategies by establishing a coordinated national framework, accelerating agricultural mechanization, and promoting its unique products through branding and market access. The *under-forest economy* and green development models observed in Yunnan suggest pathways for sustainable, high-value rural enterprises. By combining China’s structured approach with Sri Lanka’s local knowledge (and initiatives like Praja Shakthi), the country can foster inclusive growth in its hinterlands. This report provides evidence-based recommendations to guide bilateral cooperation and national policy, aiming for a resilient and prosperous rural economy by 2030 and beyond.

## 7. Five-Year Rural Revitalization Roadmap for Sri Lanka (2025–2030)

**Year 1 (2025):** Establish the National Rural Revitalization Council. Select 20 pilot villages across different zones. Launch district mechanization centers. Conduct baseline surveys of agriculture, tourism and crafts. Begin public awareness campaigns on the program.

**Year 2 (2026):** Upgrade basic infrastructure in pilot villages (roads, water/sanitation, waste systems). Roll out training on farm machinery operation, agro-processing techniques, and e-commerce. Start medicinal plant cultivation projects in Uva and Sabaragamuwa.

**Year 3 (2027):** Open first rural industrial parks with processing units and market facilities. Introduce GI branding for Ceylon cinnamon, Ceylon pepper,

Kithul treacle and premium teas. Launch pilot agro-eco tourism circuits (e.g., spice trail, herbal gardens) in select districts.

**Year 4 (2028):** Scale successful initiatives to 50 villages. Deepen farmer-industry linkages (e.g., contract farming with processors). Expand export-oriented food processing (packaged spices, fruit juices) with financial incentives.

**Year 5 (2029):** Publish a **Rural Revitalization Progress Report** with impact metrics. Extend proven models to all provinces. Launch a national e-commerce platform for rural products and services. Evaluate next-phase plans for 2030 and beyond.

## 8. SWOT Analysis for Sri Lanka's Rural Revitalization

Aspect	Details
<b>Strengths</b>	<ul style="list-style-type: none"> <li>- Rich biodiversity and strong agricultural heritage (globally prized tea, cinnamon, spices).</li> <li>- Recognized national brands (Ceylon tea, cinnamon) with export potential.</li> <li>- Close-knit rural communities and existing cooperative networks for collective action.</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>- Extremely low mechanization rates (under 10% usage), limiting productivity.</li> <li>- Fragmented small landholdings and lack of cold-chain infrastructure.</li> <li>- Limited rural industrial base and value-added processing capacity.</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Growing global demand for organic foods, spices and herbal products.</li> <li>- Revival of tourism can spur agritourism and cultural experiences.</li> <li>- Bilateral cooperation with China (including technology</li> </ul>

<b>Aspect</b>	<b>Details</b>
	transfers) and multilateral funding (e.g. WB projects) to modernize agriculture.
<b>Threats</b>	<ul style="list-style-type: none"> <li>- Climate change impacts (droughts, floods) jeopardizing crops.</li> <li>- Continued rural–urban migration draining labor from villages.</li> <li>- Volatile global prices for commodities (tea, spices) affecting farmer incomes.</li> </ul>

## **9. Monitoring & Evaluation (M&E) Framework**

**Key Indicators:** Increase in average farmer income; mechanization rate; number of new agro-enterprises established; rural tourism visits; export volumes of rural products; reduction in multidimensional poverty rates.

**Monitoring Tools:** Quarterly progress reports from pilot villages; annual audits and financial reports of rural industrial parks; GIS/satellite monitoring of farmland usage; and surveys of rural household incomes.

**Stakeholders:** Ministry of Finance (lead), Ministries of Agriculture & Plantation Industries, Provincial and Local Government authorities, and universities/think-tanks for independent analysis.

## **10. Proposed Budget Framework (Indicative)**

<b>Component</b>	<b>Estimated Budget (LKR million)</b>
Mechanization Centers	1,200
Rural Industrial Parks	3,000
Model Village Program	2,500

<b>Component</b>	<b>Estimated Budget (LKR million)</b>
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Eco-Tourism & Branding	800
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Training & Capacity Building 400

*Total: LKR 7,900 million (approx. US\$30 million).* Additional funding can be sought from development partners (e.g. World Bank, Asian Development Bank) and private sector co-investment.

