

Outsource Destination: Sri Lanka

Sri Lanka is emerging as a global IT-BPO destination of choice in number of key focus domain areas. Sri Lanka is ranked among the Top 50 Global Outsourcing destinations by AT Kearney and ranked among Top 20 Emerging Cities by Global Services Magazine.



The growing IT-BPO industry in Sri Lanka offers a unique advantage for Small and Medium Enterprises (SME) to enjoy premium access to a high quality talent pool, which is becoming increasingly challenging in large established destinations such as India and China. The environment is also highly conducive for establishing high-in-demand niche competency centers out of competition for even larger global services companies.

The national level competency development programs focus on building Sri Lanka as a Center of Excellence (COE) for key focus domain areas. Software services sector focus on Telecommunication, Banking Financial Services and Insurance (BFSI) and Software Testing. The BPO sector focus on Financial & Accounting services, Investment research, Engineering services and UK based Legal services. The IT-BPO industry has been identified as a thrust industry by the government. Recognizing the potential of the industry, the government has taken number of positive steps by providing fiscal and other incentives and concessions to fast track the development of the sector.

There are over 300 IT and BPO companies that operate in Sri Lanka, mostly small and medium companies and few large global players. Earnings from exports of IT-BPO sector have shown a steady upward trend during the past decade, and the 2006 IT-BPO exports have reached an estimated \$ 275 million. The industry has set a target of \$ 2bn in export revenue from IT-BPO sector by 2012.

Among the several leading global IT-BPO companies operating in Sri Lanka include HSBC, WNS Global Services, Aviva, Microsoft, Motorola, Industrial & Financial Systems (IFS), Amba Research, RR Donnelley, Quattro, Virtusa, eCollge, Valista, Millennium Information Technology and Innodata Isogen.

Country facts

Area: 65,610 sq km

Commercial Capital: Colombo

Population: 20 million (similar to the population of Australia)

Location: A tropical island off the south-eastern coast shores of India, 880 km north of the equator, in the Indian Ocean

Time Zone: GMT+5:30

Literacy rate: 90.7%

Language: Sinhala, Tamil and English are widely spoken throughout Sri Lanka, with the exception of remote villages.

Per Capita GNI: US\$ 1540

Unemployment: 7.2%

Currency: Sri Lankan Rupees

Leading Global IT and BPO Companies operating in Sri Lanka (indicative)

Aviva, HSBC, WNS, Microsoft, Motorola, Industrial & Financial Systems (IFS), Amba Research, RR Donnelley, Quattro, Virtusa, eCollge, Valista, Millennium Information Technology, Innodata Isogen



Workforce Advantage

Sri Lanka offers a rapidly growing niche workforce which is low cost, highly adaptable, English speaking and loyal. Currently, over 50,000 are employed in the IT and BPO industry in Sri Lanka and the workforce is growing at over 20% year-on-year. The workforce is stable with very low attrition rates ranging from 10-15%.

Sri Lanka is comparatively cost competitive and has a lower upward wage pressure than many established global sourcing destinations. A recent World Bank study revealed that the country's labor costs ranked the lowest, in comparison to many other outsourcing destinations. The total cost per associate can be as much as 30% lower in many cases.

Sri Lanka has an established norm of early entry of individuals to the workforce soon after college. Many follow short diploma's and certification programs which allow people to get in to the workforce early. The well developed work-study approach allows people to work and study at the same time. This results in dramatically low entry level wages compared to the traditional practices of hiring graduates.

Sri Lankans are noticeably friendly, highly productive, creative, and adapt very fast to different cultures and environments. This results in easy integration to operating units of other countries. The primary business language in Sri Lanka is English with a high level of fluency.

Schooling up to secondary level is free and widespread, leading to the country's high 91% literacy rate. Graduate and Postgraduate education is provided by the 15 state universities and numerous private universities and educational institutions, many of which award degrees from international universities.

With many incentives by the government, Sri Lanka is attracting leading foreign universities and many private investments in education. Students can study for degrees from leading global universities such as Monash, Curtin, Staffordshire, Manchester Metropolitan and many other universities from UK, Australia, USA and India while in Sri Lanka. Sri Lanka is also becoming an education hub for foreign students from neighboring countries.

With the national focus on niche competencies, Sri Lanka is aiming to become a center of excellence for several key sectors. Among the focused vertical sectors, Financial & Accounting services sector has shown a notable growth. Sri Lanka now has the world's largest pool of UK qualified English speaking accounting professionals outside UK itself. Many global companies have chosen to set up their niche COEs in Sri Lanka.

Niche COEs Established in Sri Lanka by Large Global Services Companies (indicative)

Accounting and UK Legal Services Center of WNS (NYSE:WNS), Investment Research Center of Amba Research, PEGA & Testing Competency Centers of Virtusa (NASDAQ:VRTU), Accounting Process Outsourcing Center of Quattro, UK Banking Center for HSBC, Finance and Accounting Center for Aviva

Business Climate & Investment Incentives

Sri Lanka has an open market economy and is the first country in South Asia to liberalize its economy. Many global companies have been operating in Sri Lanka for decades.

The Sri Lankan economy has proved to be resilient with the Central Bank of Sri Lanka projecting a growth rate of 7% in 2008 – one of the highest rates in decades. Sri Lankan government has identified the IT-BPO sector as a priority growth sector for economic development and provides many incentives to promote investments. In 2007, the country attracted the highest ever FDI of US\$700m.

Tax holidays range from 5-12 years. In addition, a concessionary rate of income tax of 15% up to a maximum period of 20 years is also extended after the tax holiday period. Government also provides special assistance on real estate acquisition based on investment and employment generation potential.

Government also provides substantial cash grants for companies in the IT-BPO sector to support the business development and encourage investments. Grants are provided for Training, Consulting expertise, Marketing, Quality enhancements (CMMi, COPC, ISO etc.) and for a host of other developmental activities.

Sri Lanka has an independent judiciary and follows the British Commercial Law principles and practices in its legal system. Sri Lanka is a signatory to international treaties on Intellectual property rights such as the Berne Convention and WTO/TRIPS and adopted a comprehensive IP regime [Act No. 36 of 2003]. Sri Lanka also enacted an Electronics Transactions Act, Computer Crimes Act and is a signatory to the latest UN e-contracting convention. A Data Protection Code of Practice is also under preparation.

Tier 1 Infrastructure with a Tier 2 cost structure

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Leading Global Companies Operating in Sri Lanka (indicative)

Chevron, General Electric, Citigroup, Hewlett-Packard, Microsoft, Pfizer, Intel, RedHat, Saatchi & Saatchi, IBM, 3M, Sara Lee Courtaulds, Unilever, British American Tobacco, Smith Kline Beecham, TCS, Indian Oil Corporation, NTT, Telecom Malaysia, WIPRO

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Tier 1 Infrastructure with a Tier 2 cost structure

Sri Lanka has eight telecom operators and is connected to the world with three international submarine cables providing ample redundancy. Broadband, Leased-line and Satellite connectivity are widely available.

Sri Lanka is among the first South Asian countries to establish a 3G network. The Telecom Regulatory Commission also provides special access facilities to IT and BPO companies enabling easy import of equipment and commissioning of international connectivity.

The commercial capital, Colombo has a well established road network with a quality supply of power, modern office facilities and a well developed set of support infrastructure services.

There are over 140 flights per week to most cities in India. Most Indian cities are less than 2 hours away from Sri Lanka. The modern international airport welcomes more than 20 international airlines with direct flights to many worldwide destinations weekly.

Living and Working in Sri Lanka

Sri Lanka offers ample recreational facilities within just 2 to 3 hours of driving from Colombo. Exquisite beaches, wild life sanctuaries, cultural heritage sites dating back to 500 B.C., beautiful hill country views, surfing, water sports, and exciting night life makes Sri Lanka a truly a tropical paradise to live and work in. Mixing business and pleasure has never been this easy for the discerning expatriate professionals or to the frequent business traveler.



Board of Investment of Sri Lanka

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