

With the civil war over, can Sri Lanka be taken seriously as an emerging offshore destination? Kerry Hallard travelled to Colombo, to find out more.

# SRI LANKA

Sri Lanka is quickly emerging as the destination of choice for the ITO and BPO market. In the last 12 months Sri Lanka has moved from 29th to 16th in A.T. Kearney's Global Services Location Index (GSLI) 2009, ranking as an increasingly attractive offshoring destination. Colombo has been recognised as a global centre of excellence for Finance and Accounting, with Global Services Magazine ranking the city fifth in the world.

Sri Lanka's per capita income is at around \$1,400, the highest in South Asia. Earnings from exports of ITO/BPO sectors have shown a steady upward trend over the last decade. Despite the global downturn, the Sri Lankan ITO/BPO market has grown by 23 per cent and is primed to sky rocket following the end of the conflict.

The vision of the ITO/BPO industry is to become the top revenue earner for the country within the next 10 years, and a medium term goal of achieving US\$2bn in export revenue and direct employment to increase to 100,000 within the next 5 years.





## FOCUS ON OFFSHORE DESTINATION: SRI LANKA

### WHY SRI LANKA?

Many factors influence Sri Lanka's popularity as an offshore location. Government support for education in Sri Lanka is very high, with 5.4 per cent of GDP being spent on primary education. Sri Lanka has approximately 10,000 state schools, and the education system is based on old-style UK GCSE "O" and "A" levels. The country has 23 universities with international degrees and agreements with other universities including Monash, Curtin, Staffordshire, Manchester and Metropolitan, producing 30,000 graduates per annum. Sri Lanka boasts a 92 per cent literacy rate, the highest in South Asia.

As evidenced throughout Colombo, English is the primary language of higher education and the commercial sector. All graduates are fluent in English and offer a neutral English accent.

Sri Lanka offers a rapidly growing skilled workforce. The country's 40,000 IT/ITES strong workforce is growing at a rate of 30 per cent per annum. Sri Lanka produces 40,000 CIMA or ACCA qualified accountants and 70 per cent of this pool is prepared for BPO work. As such, Colombo has the largest pool of UK certified accountants outside of the UK. The country enjoys a low attrition rate compared to other offshore destinations, at 6.6 per cent.

Sri Lanka is a highly cost-competitive destination and was ranked equal 4th in terms of financial attractiveness on A.T. Kearney's Global Services Location Index (GSLI) 2009. There is little wage appreciation, unlike many established global sourcing destinations, such as India. With salaries ranging from \$60 to \$1,500 per month, a recent World Bank study revealed Sri Lanka's total cost per associate/worker can be as much as 30 per cent lower than other offshoring destinations.

The Sri Lankan government is one of the biggest catalysts for driving its outsourcing growth and has publicly shown its commitment by setting the target for ITO and BPO being the country's largest revenue earner by 2012. The government declared 2009 the year of English and Information Technology, with the goal of improving the knowledge of English and IT in young adults and school children to ensure they have the necessary skills to meet future outsourcing industry demands. This focus continues throughout 2010.

The government also provides substantial cash grants for companies in the ITO-BPO space to support business development such as training, consulting expertise, marketing, quality enhancements.

Sri Lanka has an independent judiciary system and follows the British Commercial Law principles and practices in its legal system, giving peace of mind to UK investors and outsourcers, as well as facilitating the set up of contracts. The country is a signatory to international treaties on intellectual property rights such as the Berne Convention and WTO/TRIPS and adopted a comprehensive IP regime. 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 and the country has a strong enforcement unit, which ensures that all regulations are fully adhered to.

### WELL-DEVELOPED INFRASTRUCTURE

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



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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. An IT park is currently being built over 17 acres of land at Katunayake, 18 miles north of Colombo and an additional 110 acres have been earmarked for IT campuses at Biyagama.

Many companies from the UK, and also Europe and the US, have established relations with Sri Lanka, whether working with a Sri Lankan company in an outsourcing capacity or setting up their own operations in major Sri Lankan cities. The country currently has around 300 western companies present, within the IT-BPO market. Some of these include: HSBC, Aviva, Microsoft, Motorola, Industrial & Financial Systems (IFS), Amba Research, RR Donnelley, Quattro, Virtusa, eCollege, Valista and Innodata Isogen. In the past year alone, Virtusa added over 200 IT professionals and RR Donnelley added 100. HSBC now has a team of over 1,600.

### SRI LANKAN SPECIALITIES

Sri Lanka is recognised as a niche centre of excellence for Finance and Accounting Outsourcing with the world's second largest pool of UK qualified accounting professionals (second only to the UK). A survey in Global Services magazine ranked Sri Lanka among the top 20 centres of excellence for FAO in the world. Leading global companies such as WNS, Amba Research, Quattro and HSBC have set up their FAO centres in Sri Lanka.

The growing IT-BPO industry in Colombo offers a unique advantage for Small and Medium Enterprises (SMEs) to enjoy premium access to Sri Lanka's tier one talent pool. Sri Lanka has a number of joint ventures with smaller economies in Ireland, within Europe and Scandinavia, with the typical company size of 50-150 employees. 75 per cent of the ITO-BPO companies in Sri Lanka are SMEs and 65 per cent of them are foreign direct investments. Several European SMEs have started R&D centres in the country.

The government's focus on the development of IT and the highly skilled workforce makes ITO one of Sri Lanka's main areas of strength. In September 2009, the London Stock Exchange acquired Millennium Information

Technology, a Sri Lankan specialist trading firm in order to replace its existing Accenture-run TradElect platform in favour of Millennium IT's software and cut millions of pounds of IT and operational costs. Additionally, airline system software for Emirates, Braathens and Air Arabia has been developed by Sri Lankan company John Keells Computer Services and Motorola has one of its R&D centres in Sri Lanka.

"Sri Lanka is globally recognized as a niche centre of excellence for Finance and Accounting Outsourcing with the world's second largest pool of UK qualified accounting professionals second only to the UK," says Rumi Contractor, group general manager, service delivery and CEO, HSBC Global Resourcing. "Sri Lanka also has the advantage of being in a different time zone that gives it flexibility in working hours. In selecting Sri Lanka, HSBC was satisfied that the country was able to meet its high operating and data protection standards."

Alastair Sorbie, CEO/President, IFS adds: "The availability of top tier talent and the low cost of operations in Sri Lanka made it a logical choice for our company. We started working in Sri Lanka in 1997 recruiting just 26 graduates in the first year, since then we have grown to 635. Sri Lanka offers us a great base to expand into Asia."

### SRI LANKA: KEY STATISTICS

**POPULATION SIZE: 20 MILLION**

**GOVERNMENT: PARLIAMENTARY DEMOCRACY  
WITH EXECUTIVE PRESIDENCY**

**CAPITAL CITY: COLOMBO (ECONOMIC CAPITAL)**

**GRADUATES PER ANNUM: 30,000**

**LANGUAGES SPOKEN: TAMIL, ENGLISH, SINHALA**

**TIME ZONE: GMT + 5 HOURS**

**SPECIALIST OUTSOURCING SECTOR:  
IT, BPO, R&D**