

# *Sri Lankan IT/BPM Industry 2014 Review*

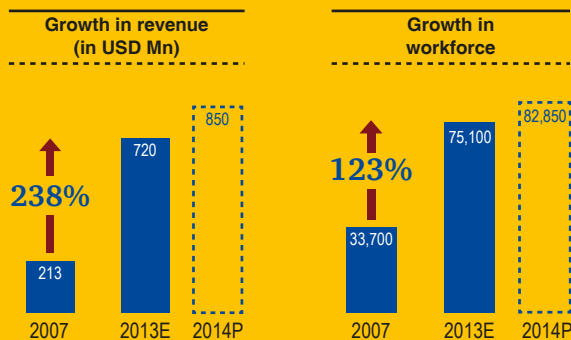


# Chairman's Statement



Madu Ratnayake  
Chairman SLASSCOM

## Performance Highlights



*Sri Lanka - The Hidden Gem for Software Product Engineering and Financial Services Outsourcing*

“Sri Lanka offers a unique mix of extremely low costs – among the lowest anywhere – combined with a highly educated, English speaking population with sophisticated technical skills, and a business environment and infrastructure that is superior to most low cost countries. Furthermore, contrary to the image created by the earlier conflict, Sri Lanka is among the safest, lowest-risk emerging markets both in terms of personal safety and business security.

*AT Kearney - Competitive Benchmarking: Sri Lanka Knowledge Services*

We are delighted to share with you our first industry review report. Sri Lankan IT/BPM industry made significant progress over the last five years. Export revenue grew from USD 213 million in 2007 to an estimated USD 720 million in 2013. Total employment grew from 33,700 in 2007 to an estimated 75,100 employees in 2013, and the number of companies in the industry grew from 170 in 2007 to over 220 in 2013.

During the last five years, our global brand position improved significantly. AT Kearney ranked Sri Lanka among the top 25 destinations in their global ranking in the last three consecutive rankings. Gartner ranked Sri Lanka among its top 30 global locations. IBM, Tholons and several others ranked Sri Lanka at the top of their respective leader boards. The recent “Outsourcing Destination of the Year” award in UK by the National Outsourcing Association (NOA) was a true validation of this tremendous progress which we were able to achieve.

Sri Lanka’s competitive advantage in IT/BPM is built around agility, cost, a niche talent base, ethics, cultural adaptability and superior quality of life as a destination for doing business. Our focus is to drive on two fronts for the next wave of growth. On the BPM front, we continue to build on finance and accounting as our primary global niche. On the IT front, our competitive position on product engineering is now becoming a formidable advantage with many global and local companies building or outsourcing product engineering work in Sri Lanka.

We also witnessed the emergence of a vibrant startup eco system with several angel funding initiatives and major mentor network led by SLASSCOM member companies. We witnessed a marked increase in new tech ventures starting up compared to the beginning of 2007.

Now as we look forward to the next 10 years, we aim high to inspire the next wave of our growth. Industry stakeholders, government and academia have come together to reaffirm the commitment to next phase of growth with three bold goals. The vision 2022 is to reach to USD 5 billion in revenue, create 200,000 direct jobs and 1,000 startups by 2022.

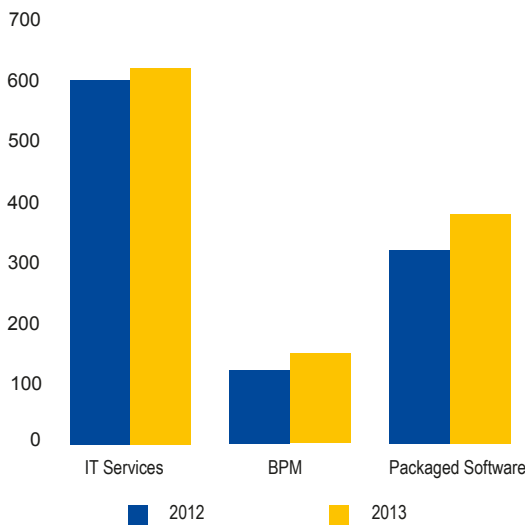
The SLASSCOM Board and General Council have already started developing plans and bringing in partners to chart our way forward. As we move forward I look forward to your input and action for accelerating the next wave of growth in our industry.

# The Global IT-BPM spend is picking up

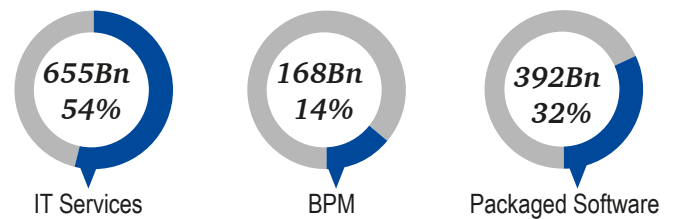
The global economy had shown signs of stabilizing in 2013 although overall growth had been subdued with advanced economies strengthening at a slower pace and emerging economies experiencing a slowdown in growth.

With improved economic conditions, global demand for IT-BPM software and services has been on the rise at USD 1.2 trillion in 2013, 4.5% growth over 2012. This increase is reflected across all segments when compared with 2012.

Global IT Spend 2012 Vs 2013 (in USD Bn)



Global IT Spend 2013 (in USD Bn, % Share by Segment)



Of the total spend, the total outsourced component is USD 140 billion (a growth of 8% over the previous year) with IT accounting for 13% and BPM 33%.

Growth in Global Tech Spend by Sector

|                   | 2013 | 2014E |
|-------------------|------|-------|
| IT Services       | 3.1% | 3.9%  |
| BPM               | 5.6% | 5.7%  |
| Software Products | 5.9% | 6.1%  |

Source: NASSCOM

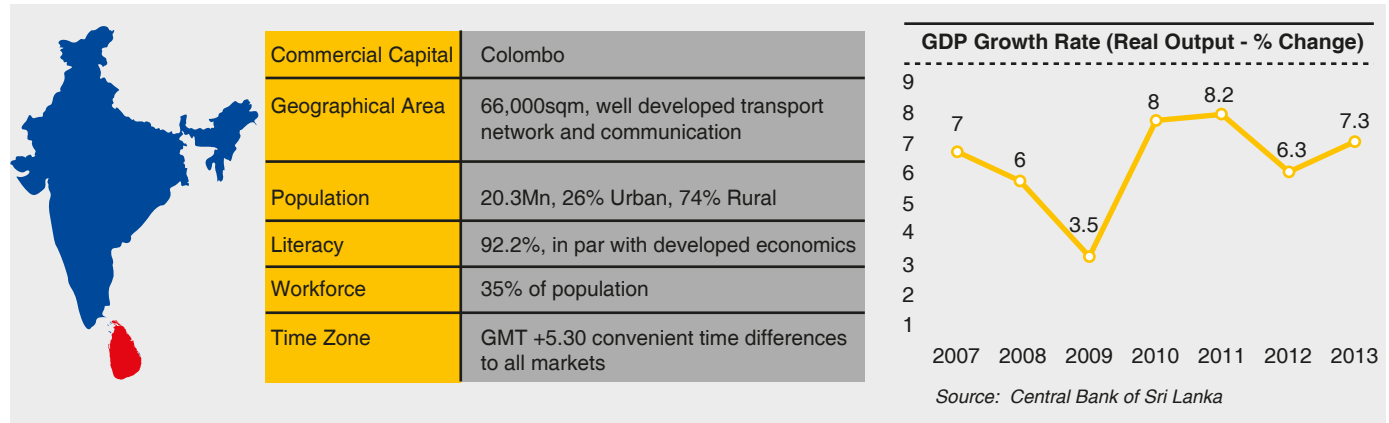
In 2013, the global Finance and Accounting Outsourcing sub-sector grew at the second fastest pace at 6.9% over the previous year, an increase from USD 12.5 to 13.5 billion.

In terms of the growth outlook, the global BPM market alone, a critical sector for Sri Lanka, is expected to touch USD 209 billion by 2017, (expected CAGR over 2012-17 at 5.7%). Traditionally, verticals such as BFSI, Manufacturing, Communication and Media held around 50% of the market share. However, emerging verticals such as Healthcare and Retail are expected to grow 1.5 times faster than the more mature traditional verticals owing to changing landscape in regulations and adoption of newer services.

A massive shift in technology is predicted to alter the business landscape and with it a shift in technology requirements. IT spend is expected to be guided by increased Research & Development around technologies focused on automation, human-machine interface and green technologies. The 'app' economy phenomena by itself is to yield over USD 150 billion by 2017 with the overall economic impact exceeding USD 14 trillion by 2025. Already with mobile internet, cloud technology, advanced robotics and even automation of knowledge work becoming ubiquitous, the demand for product engineering services in particular would be tremendous.

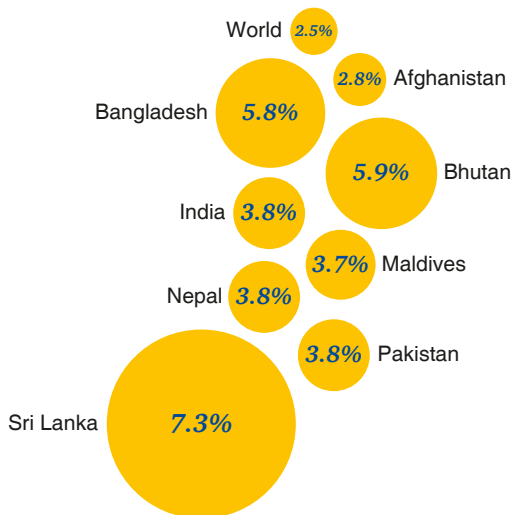
## Sri Lanka ranks among the top 5 emerging countries with a sound business climate, hot on the heels of the BRICs

Sri Lanka's enviable geographic location at the southern tip of India places it at the crossroads connecting South Asia, Far East and the Pacific with Europe and the Americas. Post-conflict Sri Lanka, having graduated to a middle-income emerging market status, is working towards converting this strategic location advantage to position itself as the economic hub for the region. Following the recent policy decisions further liberalizing trade activities involving customs, exchange control and other logistical elements, the country is now free to operate in a way similar to the highly successful hubs of Hong Kong and Singapore.



Sri Lanka's economy has been growing steadily reaching USD 67.2 billion in 2013, a growth of 7.3% over 2012. Services sector had a significant improvement recording 6.4% growth vis-à-vis 4.6% the previous year. According to the Central Bank of Sri Lanka, the country context has changed dramatically in the past several years and Sri Lanka has posted the fastest growth rate in South Asia in the past three years whilst managing inflation (4.7%) and unemployment (4.5%), maintaining both indices at single digit levels. The country's growth projection for next three years remains high at 7.5% annually.

### Real GDP Growth in South Asian Economies (2013)



The prevalent optimism of the Sri Lankan economy has been further reiterated with international rating agencies Fitch and S&P raising the outlook to BB- (Stable) and B+ (Stable) respectively.

Inflation remained at single digits for the fifth consecutive year, reducing wage pressures in the economy and also raising investor confidence. The economy has proven to be resilient to external shocks with FDI surpassing USD 1 billion for the third consecutive year and tourist arrivals at record levels.

Source: CBSL, Road Map 2013

*Coface, a worldwide leader in credit insurance, rates Sri Lanka amongst top 5 emerging countries with a sound business environment, a high growth which is accelerating, a resilient and diversified economy with sufficient funding capacity to finance growth.*

Sri Lanka's pro-business and pro-investment policies since the 1970's are found to be most progressive in South Asia making it an extremely conducive place for commerce with 'ease of doing business' a primary consideration. Total foreign ownership is permitted across most areas of the economy with no restrictions on repatriation of earnings, fees, capital with safety of foreign investment guaranteed by the constitution. Tax holidays for corporate and tax incentives for individuals are in place to attract high value investments in priority sectors, including IT/BPM sector. Sectors such as tourism, real estate have recently attracted globally recognized brands such as Shangri-La, ITC Hotels, Marriott, and Movenpick whilst incumbents such as Nestle' and Unilever (FMCG), HSBC, Citibank, Deutsche Bank, and Standard Chartered Bank, along with Chevron, Hutchison Telecommunication are amongst many multinational companies with a long presence in Sri Lanka.

Sri Lanka ranked highest in South Asia in both the Global Prosperity Index and the Human Development Index.

With the Government's aggressive agenda to become a USD 100 billion economy in the near future, the service sector is anticipated to play a significant role. The IT-BPM sector is identified as a priority sector for economic development and the country's development plan focuses extensively on the improvement of both infrastructure and social overheads.

# Sri Lanka offers a unique value proposition for IT/BPM

|          | Financial Attractiveness<br><small>Office Rent of Class A Space in Major Business Hubs</small>   | Educated Skilled Workforce<br><small>Secondary Enrollment Rate</small>  | Infrastructure<br><small>Overall Infrastructure Quality Score</small>  | Low Risk Emerging Market<br><small>Business Operational Risk</small>   | Information Security<br><small>Rigor of IP Protection</small>  |
|----------|--|---|--|--|--|
| <b>+</b> | Mauritius <b>192</b>   | UAE <b>98%</b><br>UK <b>96%</b>   | UAE <b>6.3</b><br>Malaysia <b>5.7</b><br>UK <b>5.6</b>   | UK <b>26</b><br>Mauritius <b>30</b><br>Malaysia <b>32</b><br>UAE <b>30</b><br>China <b>47</b>                                  | UK <b>5.7</b><br>UAE <b>5.0</b><br>Malaysia <b>4.9</b>   |
|          | <b>Sri Lanka 227</b>   | <b>Sri Lanka 90%</b>  | <b>Sri Lanka 4.7</b>   | <b>Sri Lanka 47</b>  | <b>Sri Lanka 4.1</b>   |
| <b>-</b> | Bangladesh <b>252</b><br>Philippines <b>262</b><br>Malaysia <b>316</b><br>UK <b>348</b><br>Egypt <b>368</b><br>Vietnam <b>440</b><br>Pakistan <b>455</b><br>China <b>472</b><br>India <b>918</b><br>UAE <b>918</b> | Mauritius <b>89%</b><br>Philippines <b>82%</b><br>Egypt <b>81%</b><br>China <b>76%</b><br>Malaysia <b>70%</b><br>Vietnam <b>70%</b><br>India <b>59%</b><br>Bangladesh <b>44%</b><br>Pakistan <b>33%</b> | Mauritius <b>4.6</b><br>China <b>4.2</b><br>Egypt <b>3.9</b><br>India <b>3.8</b><br>Pakistan <b>3.5</b><br>Philippines <b>3.4</b><br>Vietnam <b>3.1</b><br>Bangladesh <b>2.8</b> | Egypt <b>49</b><br>Philippines <b>52</b><br>Pakistan <b>52</b><br>India <b>52</b><br>Bangladesh <b>55</b><br>Vietnam <b>56</b> | China <b>4</b><br>Indonesia <b>3.6</b><br>India <b>3.5</b><br>Egypt <b>3.3</b><br>Pakistan <b>3.1</b><br>Philippines <b>2.8</b><br>Vietnam <b>2.5</b><br>Bangladesh <b>2.4</b> |

Source: ATKearney Analysis, SLASSCOM

## Financial Attractiveness

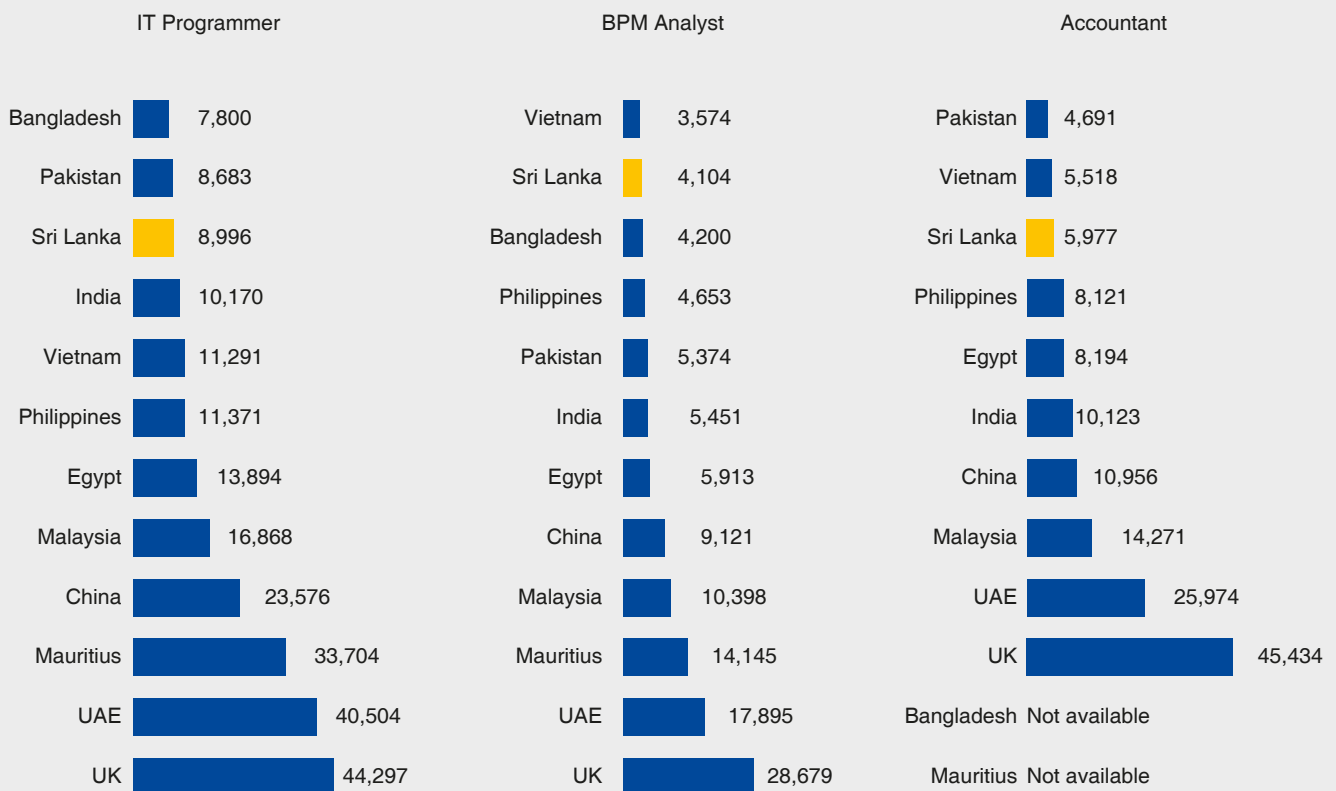
Sri Lanka is a highly cost competitive destination and was ranked as 6th in terms of financial attractiveness by ATKearney’s Global Service Location Index in 2011.

In spite of Sri Lanka’s well-educated labor force, the average wages in Sri Lanka at around USD 1,500 per year are in the same range as Bangladesh (USD 1,400), the Philippines (USD 1,500) and India (USD 1,600).

The average Associate cost can be as much as 30% lower than other offshore destinations, especially for BPM roles.

The country’s investment laws permit total foreign ownership with no restriction on repatriation of profits.

### National Average Wages (Annual, USD)



Source: ATKearney Analysis

### Educated Skilled Workforce

**Nearly 50% of the students who have finished their higher education are trained in technical and business disciplines.** English is widely spoken in urban cities and is commonly used for education, business and commercial purposes.

Having cultivated distinctive capabilities in technical and professional services in particular, Sri Lanka boasts more people with UK-recognized accounting qualifications than any country outside the UK. With similar emphasis on other professional qualifications (medicine, law, engineering, architecture, etc.), the country has the potential to develop distinctive remote service offerings in these areas. Other niche capabilities include open source, cloud apps and mobile technologies.

Sri Lanka's IT/BPM industry attrition levels are consistently below 20% and low compared to most other Asian destinations.

Country's size advantage also offers a unique opportunity for SMEs to enjoy a premium access to this high quality talent pool as well.



## Infrastructure

### Sri Lanka offers tier 1 infrastructure with a tier 2 cost structure.

Overall infrastructure quality, including transportation and utilities, surpasses that of all Southeast Asian competitors.

- Availability of affordable Class A office space is advantageous.
- Private sector owned dedicated IT-BPM parks offer ideal facilities for new entrants or expansion of existing operations.
- Eight telecom operators and three international submarine cables providing ample redundancy.
- Broadband, Leased-line and Satellite connectivity widely available.
- Fast adoption of technologies - First South Asian country to establish a 4G network.
- Telecom Regulatory Commission provides special access facilities to IT and BPM companies for easy import of equipment and connectivity.
- Reliable and quality supply of power with electrification coverage of 93% - Only South Asian country providing uninterrupted power supply 24 hours a day according to the World Economic Forum Global Competitiveness Report.
- Modern office facilities.
- Modern international airport with more than 20 international airlines with direct flights to many worldwide destinations.
- Over 140 flights per week to most cities in India less than 2 hours away from Sri Lanka.

## Low Risk Emerging Market

According to AT Kearney “Competitive benchmarking: Sri Lanka Knowledge Services” report, **Sri Lanka ranks amongst the lowest-risk in terms of business operational and continuity.** MNCs based in the country have never reported disruptions to their operations here, whereas they have suffered disruptions in most other global locations due to industrial disputes, natural disasters, and terrorist attacks.

## Information Security

**Sri Lanka has amongst the most rigorous intellectual property protection regime in the region** (ATKearney). The country has created a national intellectual property rights office that focuses on awareness, policy issues and enforcement.

“*Sri Lanka’s economy is undergoing a transformation and the country has an ambitious and strategic **plan for growth**. The Government has launched a significant drive in order to get **businesses moving** and government departments into the **IT era**. With a pool of **highly-skilled, certified, English speaking professionals**, Sri Lanka is becoming a **major destination for BPM and IT services** – notably for **financial** accounting and analysis, offshore **legal services**, **medical** diagnostics and **architectural** drawings*”

**Ajit Nair – Managing Director  
EMC South Asia Growth Markets**

# Sri Lanka emerging as a niche destination for Software Product Engineering and Finance Accounting Outsourcing

## Global Presence

Emerging as a premier sourcing destination for IT-BPM services globally, Sri Lanka is gaining with increased global brand recognition and visibility. Leading global multinationals, local blue chips and corporates alike have established operations to carry out IT-BPM operations in the country. HSBC, IFS, Intel, Motorola, WNS, RR Donnelley, Virtusa, Pearsons and Accenture are just some of the key investments.

The client portfolio also includes global multinationals such as the London Stock Exchange, Microsoft, Emirates, Qatar Airways, Lenovo, JP Morgan and Google.

“

*The availability of top tier talent and low cost of operations in Sri Lanka made it a logical choice for our company. Sri Lanka offers us a great base to expand into Asia.*

*Alistair Sorbie – CEO/President  
IFS*

## Global Recognition

Re-affirming the confidence of international investors and business partners, Sri Lanka has won the 'Off-shoring Destination of the Year (2013)' at The National Outsourcing Association Award, the Centre of Excellence for Outsourcing in UK & Europe which evaluated the overall strategy as an outsourcing destination, its approach in differentiation, focus on skill development, innovation and results generated.

**12<sup>th</sup>** in Global  
Location Trends Report - IBM

**Top 25** in Global Services  
Location Index - ATKEARNEY

**Top 30** Leading Location for  
offshore Services - GARTNER

**Top 19** Global Centers  
of Excellence for Finance & Accounting  
Outsourcing - GLOBAL SERVICES

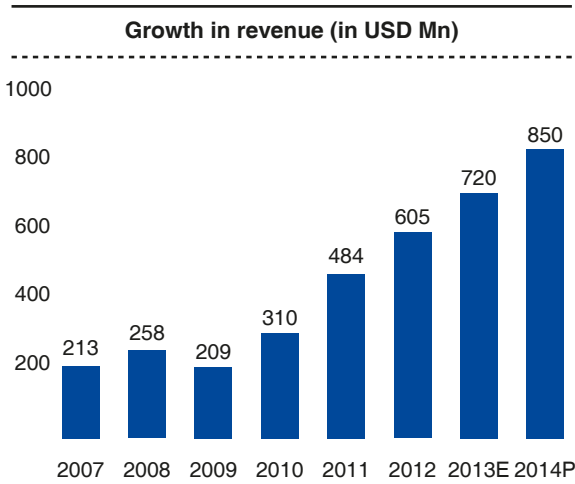
**7<sup>th</sup>** among 15 emerging Global  
cities for Finance & Accounting  
Outsourcing - THOLONS



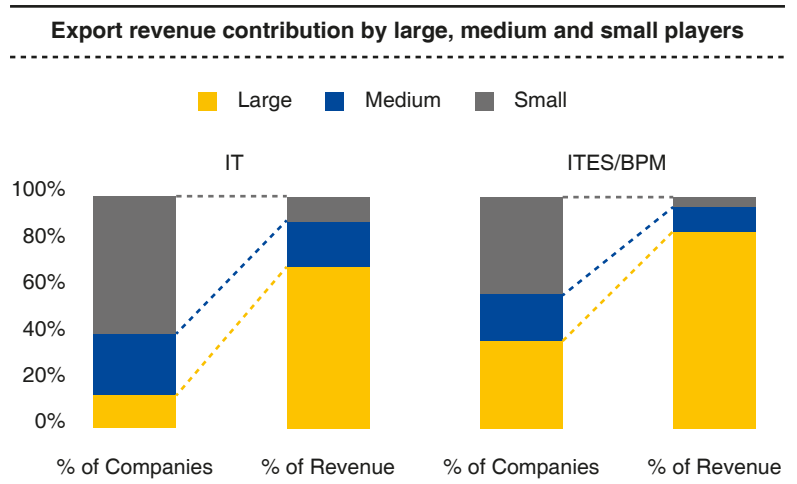
### Sri Lanka IT/BPM Revenue: USD 720 Mn in 2013

With estimated revenue of USD 720 million for 2013, the sector is showing an impressive growth trend – 238% growth since 2007 of the total revenue, IT claim 77.5% of the total and BPM accounted for 22.5%.

According to the ICT export survey 2010, large companies contributed to over 70% of the export earnings whilst medium and small scale companies contributed the balance. In the BPM sector, over 90% of the contribution was by the larger players.



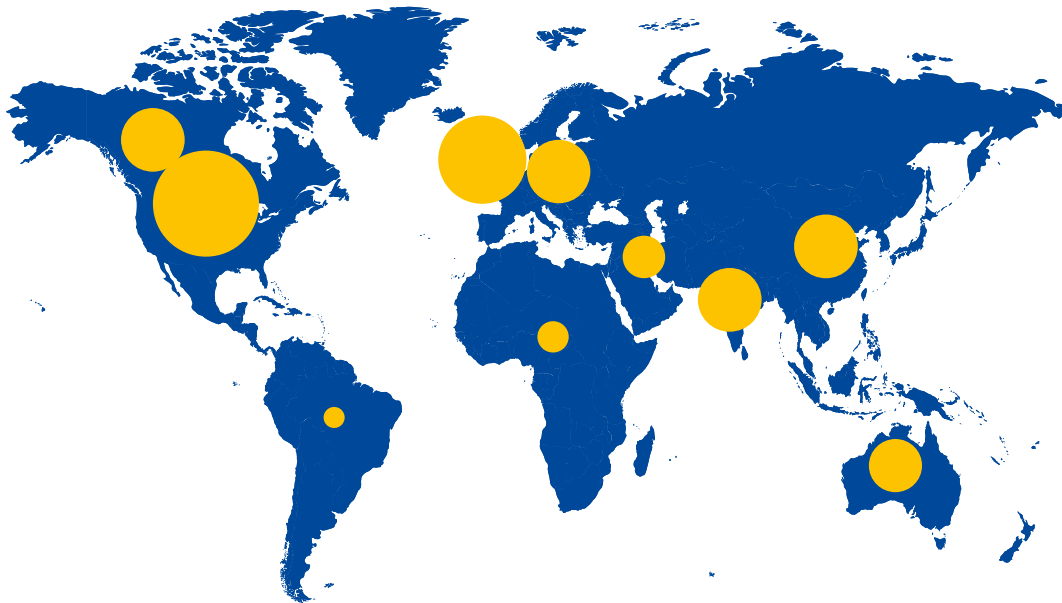
Source: SLASSCOM



Source: ICT Export Value Survey 2010

### Key Markets: Europe, UK, US, Australia and Asia

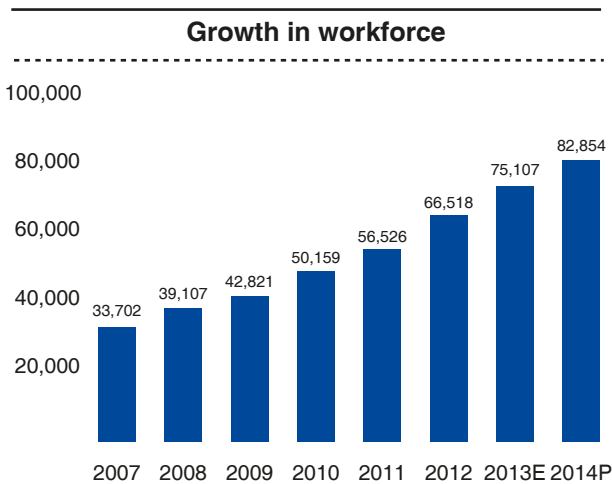
The top three markets have been Europe (UK & Ireland), US and South Asia. Moreover, the Asia-Pacific region has shown faster growth than mature markets whilst the industry makes significant market presence in Australia/New Zealand, Asia Mature Markets and the Middle East. An analysis of the number of companies by segment servicing each of those markets is shown below.



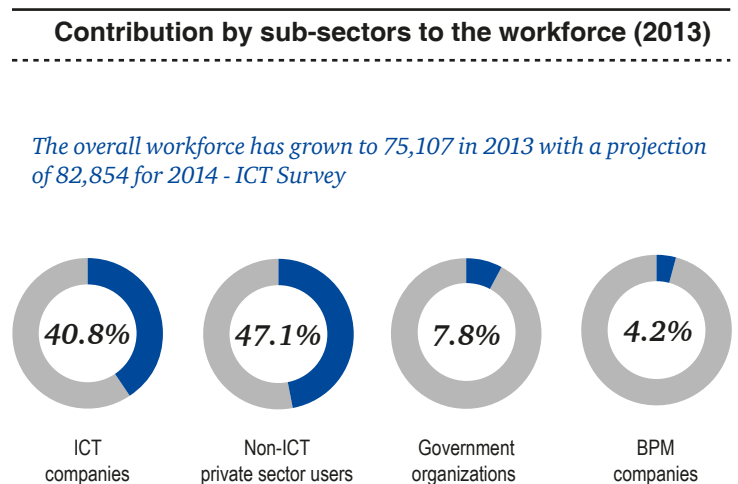
Source: ICT Export Value Survey 2010

## The talent pool is high quality, stable and growing

According to the National ICT workforce Survey 2013, the positive domestic developments and gradual recovery of the global economic situation have created a conducive environment for growth of the industry’s workforce and the projection figure shows that this trend is likely to continue.



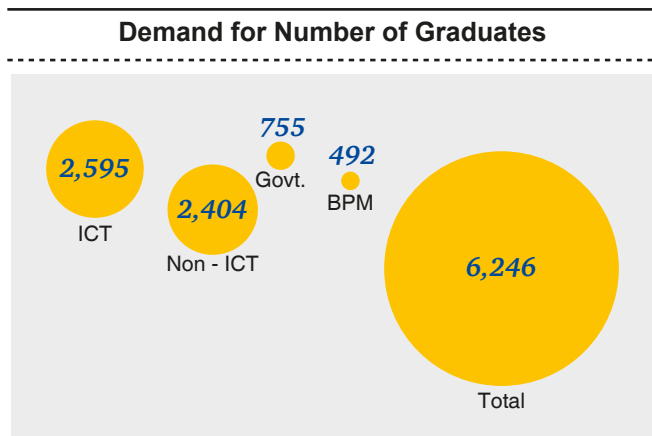
Source: National ICT Workforce Survey 2013



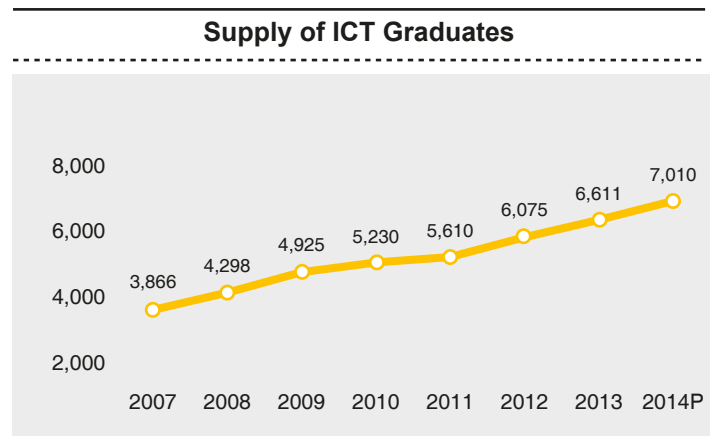
Source: National ICT Workforce Survey 2013

The female participation of the workforce has improved from 21% in 2009 to 29.0% in 2013. BPM companies have significantly contributed to improve the gender balance in the ICT workforce.

In 2013, 63% of the workforce held graduate or post-graduate level qualifications. Bachelor’s degree has become the standard entry level qualification for recruitment in many job categories.



Graduates in demand (a projection based on required number of recruits given by respondents in the sample for the year 2014) is 6,246 – ICT Survey



Total number of graduates supplied from training organizations steadily increased annually. The total projected for 2014 is 7,010 – ICT Survey

Source: National ICT Workforce Survey 2013

Increasing presence of internationally ranked universities such as Monash University, London Metropolitan University, Curtin University of Technology and Staffordshire University establishing partnerships with local educational institutes will continue to provide access to international standards of education and increase the output of world class graduates, work ready for the IT-BPM sector. With the relaxation of foreign investments in the education sector by the Government of Sri Lanka, University of Central Lancaster will have its first campus in South Asia by 2015.

Sri Lanka Association of Software and Service Companies (SLASSCOM) launched “Future Careers” with high focus on capacity building. The platform is focused on creating awareness among youth about the benefits of selecting IT or BPM as a career path.

## Finance and Accounting Outsourcing, Product Engineering Segment in Focus

The rising offshore destination that is punching above its weight, Sri Lanka is recognized as a Global Centre of Excellence for Finance and Accounting Outsourcing and as an emerging high-end product engineering destination.

Book a dream holiday on Qatar Airways/ Emirates - software platform developed in Sri Lanka

Land in Mauritius, Fiji or Sri Lanka - immigration entry recorded via Sri Lankan Software

Trade on Global Stock exchanges from London Stock Exchange to Johannesburg Stock Exchange or Borsa Italiana to Bursa Malaysia, or Chittagong Stock Exchange to Dar es Salaam Stock Exchange amongst many others - transaction would be completed with software developed in Sri Lanka

Customer of HSBC - some of the asset management decisions undertaken by highly qualified professionals in Sri Lanka.

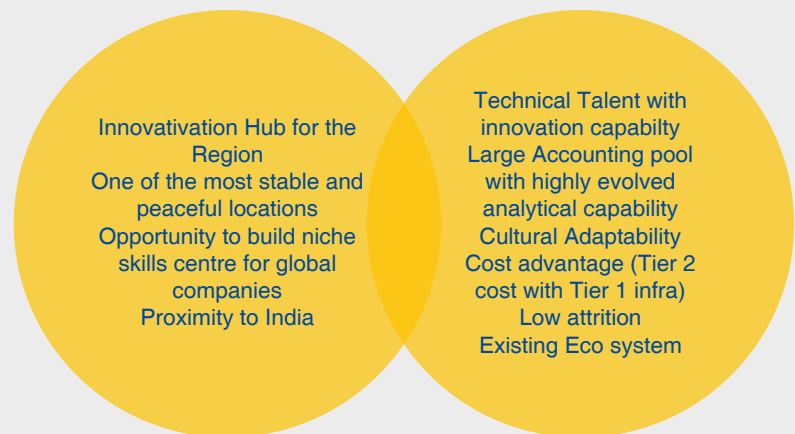


University of Moratuwa, the country's leading institute for higher education in technological studies, ranks world number 1 in Google Summer of Code for nine consecutive years for the highest number of students from a single university in the world.

### What the industry is best at

Global outsourcing of high-end analytical work (financial, legal, engineering, design)

Leveraging the trend towards mobile/social/cloud-based apps opening more opportunities for customised solutions by smaller providers, vs. universal packages controlled by large corporations



“*The highly talented Sri Lankan skilled work force can be leveraged to provide a suite of back office services as seen being done for many clients out of here with Finance & Accounting being our sweet spot. Many overseas clients find visiting and working in Sri Lanka as a very pleasant experience absorbing its culture, the work ethics, the ‘can do’ attitude of the people and find the current environment a comfort factor in selecting Sri Lanka as a location of choice for their work*”

**Dushan Soza - Managing Director / Sri Lanka  
WNS Global Services**

## Industry is rapidly progressing towards a high value, quality destination

### Recent Developments

Netherlands based **ISM eCommerce** set up a Business Process Outsourcing and Software Development Unit in Sri Lanka. The firm's customers include Royal Dutch Post (PostNL), Seiko Watches, Akzo Nobel, Heineken and Chelsea Football Club.

**Volume**, a UK-based digital marketing applications firm that makes web and mobile applications has set up a technology hub in Sri Lanka, to serve markets in multiple time zones.

**Paycorp International**, an Australia based firm set up an outsourcing unit in Sri Lanka.

**Intel Corporation** has acquired Aepona based across Belfast, Dublin, Sri Lanka and the United States.

**MediGain** established themselves as a Healthcare KPO Enterprise in Sri Lanka with total staff strength of over 500 employees in office locations in Colombo, Sri Lanka; Chennai, India; Dallas, Austin, Ft. Wayne, Monroe, and Phoenix in the United States. It opened a new facility in Kandy, Sri Lanka.

**Virtusa** has been recognized as a key R&D service provider for 2012, in the category of Independent Software Vendors (ISV) – Enterprise Software by Zinnov, a leading Globalization and Market Expansion Advisory Firm. The Zinnov study titled, “Global R&D Service Providers (GSPR) Rating 2012,” incorporates many geographies including the United States, India, China, Russia and Eastern Europe.

**ShipXpress Lanka** which was established in 2007 as a representative office of US based ShipXpress Inc. which is headquartered in Jacksonville Beach, Florida, won the Top 100 Logistics Technology Award from Inbound Logistics in 2010, 2011, and 2012. Supply and Demand Chain Executive recognized the ShipXpress Portal as a Top 100 Supply Chain Project in 2011 and one of its Green Supply Chain Award Winners for 2012.

**99X Technology** with its offices in Norway, became the first-ever Software Company in Sri Lanka to win the prestigious Arch of Europe Gold Award for Quality and Technology.

Incorporated in 2009, **SimCentric Technologies**, an R&D company specializing in advanced simulation add-ons and behavior control modules have been successful in offering bottom-up development innovative products such as Simulation Development Tools, specialized simulation based training tools and Pattern of Life Generation Tools to clients such as United States Army, UK Ministry of Defense amongst multiple other European nations, Boeing Corporation, Camber Corporation etc.

**Leapset** (headquartered in Redwood City, CA with Engineering and Operations Centers based out of Sri Lanka) develops end-to-end digital platforms containing multiple products for consumers and merchants in the restaurant and hospitality industries in the US. Their early success led to the integration with the online payment giant 'Paypal' and a subsequent strategic alignment with Sysco (NYSE:SY) - the world's largest food services company.

**RR Donnelley** opened its second facility in Colombo.

**Aegis Services Lanka** in partnership with a leading telecom headquartered in India, expanded their operation in Sri Lanka.

**HSBC** now has a team of over 2300 and started support of HSBC Securities Services'.

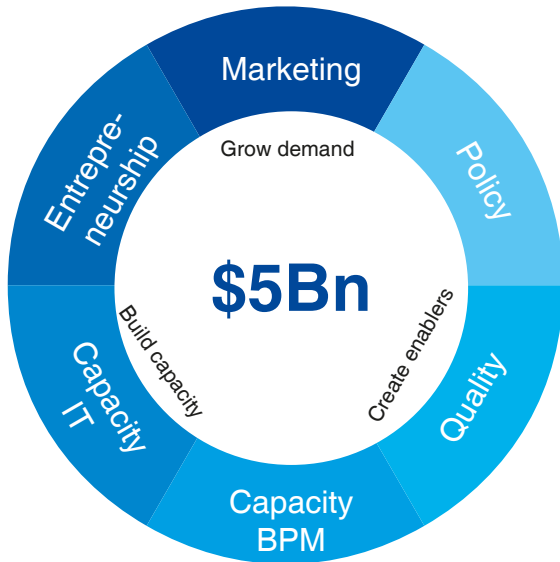
**WSO2** positioned in the “Visionaries” Quadrant of three new Magic Quadrant reports published by Gartner supplies Open-Source enterprise service by used by eBay. Clients include BBC, BP, Fidelity Investments and Volvo. WSO2 opened its new office complex in Colpetty in Colombo.

**Millennium IT** officially opened its latest innovation hub, at its headquarters in Malabe, Sri Lanka recently. The new structure forms the centerpiece of the 19.5-acre campus and is 'custom-built for innovation'. Southeast Asia's leading bourse, SGX will install Millennium PostTrade™, Millennium IT's scalable and flexible multi-asset clearing, settlement, risk and central depository solution for Singapore's securities market.

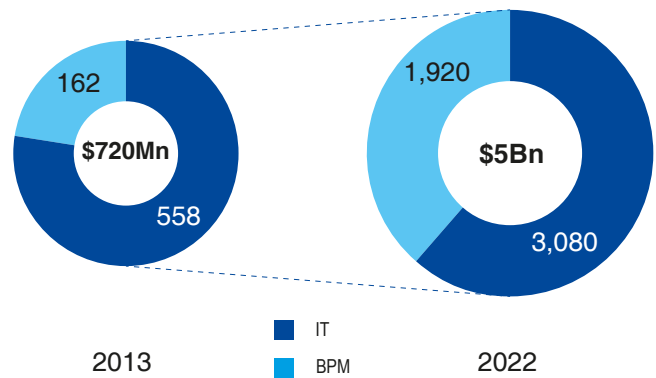
**Accenture** signed an agreement with Brandix, one of Sri Lanka's leading apparel exporters, to provide Business Process Outsourcing services for human resources, finance and accounting and procurement.

# Future Outlook

Sri Lanka's IT/BPM industry has set its vision to achieve USD 5 billion in exports by 2022 while generating 200,000 jobs and creating 1,000 start-ups in this process. The country's overall strategic vision is backed by its focused approach to differentiation and target markets with planned initiatives for skills development and talent management. The industry's e-development agenda supports this strategy by building an innovative and continuous collaborative environment conducive for growth.



Industry adopts a six pronged approach to drive strategy to reach the desired target by 2022. Conscious of the evolving customer expectations and the high-end niche service requirements, these initiatives are focused on enhancing the overall country offer.



Industry targets will be achieved by leveraging Sri Lanka's core strengths to spearhead penetration of fast-growing markets. As the traditional outsourcing model for BPM continues to evolve towards more value added services, cost arbitrage has become secondary to value creation and industry knowledge in the decision making process of who and where to partner. Outside of the Fortune 500 companies, a massive opportunity lies in the huge untapped markets of SMEs, public sector and family run entities which will require a different and more innovative service model. With cloud solutions becoming increasingly more stable and cheaper, opportunity exists to leap frog into next generation services such as demand based and online big data services.



## *Continued Government support as a thrust sector of national economy*

**While Sri Lanka's literacy levels are high in comparison with other South Asian countries and in par with developed countries, the government aims at further developing IT literacy as well as finance and accounting education**

- Target to achieve 75% IT literacy by 2016 through a national programme of public and private investment in ICT education and training.

- Liberalisation of previous restrictions on foreign investment in higher education and actively promoting establishment of several private universities in Sri Lanka.

**Sri Lanka's ongoing Government and Private Sector led infrastructure projects and telecommunication services are focused on closing the 'infrastructure gap' between Sri Lanka and its neighbors promoting nation-wide economic development**

- Colombo is on fast track to be transformed into one of the most developed cities in Asia. Entire neighbourhoods are being transformed with high-rise real estate space with modern design and technology for mixed use and entertainment purposes offering convenient, central and luxurious living and work space.

- Within this space, approximately 2.5 Msq.ft of Grade A leasable office space is currently being offered as commercial office space while an additional 765,000 sq.ft of office space is under construction to be completed by the end of 2015 whilst an additional 6 Msq.ft of office space in the construction pipeline.

- An IT park is being built over 17 acres of land at Katunanayake, just 18 miles north of Colombo and the Hambantota IT/BPM Park opened recently to provide 100,000 employment opportunities including over 40,000 seats in direct IT/BPM related jobs in the Southern Province. An additional 110 acres have been earmarked for IT campuses at Biyagama.

**National budget 2014 provides IT-BPM with special tax benefits to encourage the sector growth**

- To support the industry's aggressive growth targets, the government has proposed a 5 year half tax holiday for new partnerships or firms engaging in international services in the field of Accountancy, Commerce, Finance, Law, IT, Engineering and Architecture.

- Capping of the personal income tax rate to a maximum of 16% for IT and enabling services personnel in order to create brain gain in the industry.

- Telecommunication levy has been reduced from 20% to 10% while strictly regulating the implementation of minimum broadband speeds.

**Funding and entrepreneur support**

- With expanding opportunities, initiatives such as empowerment and funding programs and entities focusing on providing guidance and capital for entrepreneurs starting up their ventures have been making an impact over the past few years.

- Growth in angel and venture capital investments are helping to develop the base for a sound start-up eco system essential for future growth.

- SLASSCOM has initiated a national level incubator program, Global Startup Labs, in partnership with MIT Startup Labs for entrepreneurship instructor capacity and funding from Brandix for next five years.

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*Thanks to the proximity to India, similar costs and talent profile, lower levels of wage attrition, superior business environment and infrastructure, many companies are viewing Sri Lanka as a natural complement to their operations in India – allowing expansion in a less overheated environment while diversifying country risk.*

*ATKearney report*



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SLASSCOM is the Sri Lankan IT, KPO-BPM industry chamber. SLASSCOM acts as the catalyst of growth for the Sri Lankan IT, KPO-BPM Industry by facilitating trade and business, propagating of education and employment, encouraging research and innovation, and by supporting the creation of a progressive national policy framework.

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