Sri Lanka searches for niche in Internet Age

By   Madanmohan Rao

Despite ongoing political crises, crippling power cuts, and one of the worst economic years in decades, hopes for finding and exploiting a niche in the global Internet economy continue to inspire professionals and entrepreneurs in the South Asian island nation of Sri Lanka.

Over 300 delegates and speakers from a dozen countries ranging from the U.S. to Hong Kong gathered in Colombo recently for the annual business convention of the 162-year-old Ceylon Chamber of Commerce, titled "e-Business: The Economy Transformed."

With a population of about 19 million, Sri Lanka has a literacy rate of 91 per cent and the highest per capita GDP as well as the most deregulated telecom sector in South Asia. The UNDP Human Development Report 2001 classifies Sri Lanka as "innovative and adaptive" in the use of new
technology.

"One feasible niche for Sri Lanka to tap is the e-learning market," said Mark Frazier, ICT Cluster Strategist of the Sri Lanka Competitiveness Initiative. Many U.S. universities and corporates as well as international organizations like the World Bank are embarking on huge projects for
distance learning and online instruction.

"As with India's call centres, a sizeable market is opening up for countries like Sri Lanka in outsourcing authorware tasks, video transcription, translation, indexing, and abstracting. MIT in the U.S. has
announced plans to spend US$100 million over the next two years in bringing its course materials online. A potential market exists for conversion of more than 100,000 hours of existing North American video courses into e-learning format," Frazier said.

e-Learning can also be used to extend access and reach for qualified but scarce teaching resources in Sri Lanka, he said.

"Sri Lankan businesses must embrace e-commerce and become fast, flexible and fearless," urged Kavan Ratnayaka, country manager of IBM Sri Lanka. He cited online case studies of Suppleye.com (which cut ordering time by 95 per cent), ShopIBM (with 140,000 catalog updates in 27 languages weekly),
Safeway UK (which tailors individual mailings for 6 million customers), GE Capital IT Solutions, and Payless.com.

B2B commerce implementations are being pushed by major sell-side and buy-side players in Sri Lanka. "We have over 50 of our 60 distributors in the country doing business with us

online," said Gerard Mendis, supply chain manager at Unilever Ceylon.

Sri Lanka may be particularly well suited for m-commerce at the consumer level rather than PC-based e-commerce, observed Hans Wijayasuriya, CEO of mobile operator MTN Networks. "Developing countries like Sri Lanka should also be sensitive to wastage or duplication of infrastructure investments
while building national capacity," he said.

A third of the population here speaks English, but the proportion of IT workers is relatively small; only about 6,000 IT professionals currently graduate each year.

"We have performed well at levels of primary and secondary education, but need to scale up and improve tertiary education," said professor V.K. Samaranayake of the Institute of Computer Technology at the University of Colombo.

On the infrastructure front, around 30 companies have received ISP licenses, such as Lanka Internet, Ceycom, Eureka, LankaCom, Celltel, Dynaweb, Sri Lanka Telecom, and Ionosphere.

The number of PCs in the country may be close to half a million, there are about a million fixed line phone connections, and the overall Internet user base is estimated at close to a million -- but actual figures are hard to come by. Most Internet users are in Colombo, followed by Kandy and Galle.

Sri Lanka Telecom has laid an inland fiber optic cable system ringing the whole country. Wireline connectivity to the internationall Internet has yet to be de-monopolised, and VoIP is illegal.

Wireless local loop (WLL) players here include Suntel (which uses DECT - Digital Enhanced Cordless Telephone technology) and Lanka Bell (which uses Fixed Radio Access technology). There are also a handful of cellphone operators.

Companies desiring reliable Internet bandwidth can avail of technology parks such as those at the World Trade Centre. Launched in August 2000, it houses companies like Mobile Media (for wireless Internet solutions), e-Solutions (Web services), and Ionosphere (international connectivity and hosting).

"More such tech parks and IT corridors can help nurture a local community of technopreneurs and venture capitalists," said Seetoh Kum Chun, infrastructure planner at Singapore-based JTC Consultants, which has designed IT Parks in Singapore, Bangalore, Jakarta and Beijing.

E-commerce in Sri Lanka is at an embryonic stage, and a small Internet ad market helps sustain the popular sites like Info.lk, EzBiz.lk, Sirasa.com, TamilNet, InfoLanka.com, and the Web sites of the newspapers Observer and Daily News.

"We would like to position Sri Lanka as a regional IT hub, as with the case of smaller agile players like Ireland and Singapore," said Shehara de Silva, deputy director general of the Board of Investment of Sri Lanka.

Targets set for the year 2008 include creation of an IT industry in Sri Lanka worth US$1 billion, a pool of 220,000 IT professionals, PC penetration of 10 per cent, and Internet penetration of 5 per cent of the
population.

Last year, software exports totaled US$58 million, which was the total value of India's software exports 10 years ago. There are about a hundred software development companies in Sri Lanka today. Local software lobby organizations include the Sri Lanka Association for the Software Industry
(www.SLASI.com) and Software Exporters' Association.

"Sri Lanka is currently formulating cyberlaws for digital content, patents, computer crime, online transactions and digital signatures," said attorney Jayantha Fernando.

"Sri Lankan policymakers must also coordinate their IT laws with other international organizations in areas like electronic contracts and legal jurisdiction," said Lucinda Jones of the World Intellectual Property Organisation (www.wipo.int).

But Sri Lanka must not miss the IT bus they way it missed cashing in on the tourism and shipping sectors, according to the cover story of a recent edition of the Lanka Monthly Digest; the country should also entice its diaspora to invest in the local IT industry the way India did.

Many other local analysts and reports also urge greater action and deeds rather than "rhetoric and lip service;" they call for more commercial drive and business acumen in the IT sector as well as the traditional economic players.

Sri Lanka aims to actively promote cooperation with Indian IT companies thanks to the recently enacted Indo-Lanka Free Trade Agreement. Indian IT companies active in Sri Lanka include Aptech, NIIT, Tata Infotech, and Mahindra-BT; Infosys has developed e-banking solutions for the local
Sampath Bank.

"We are looking for local partners for offering our secure payment services," said Mumbai-based Shivani Nadkarni, general manager at Safescrypt, a joint venture between Verisign and Satyam Infoway.

On the education front, IT courses are offered by some of the 11 Sri Lankan universities, numerous vocational institutes, and the Sri Lanka Institute of IT (www.sliit.lk).

"We offer IT courses and degrees via partnerships with institutions like the University of

Portsmouth and University of Cambridge in the U.K.," said Lakshman Watawala, deputy chairman of the Singapore Informatics Computer Institute in Colombo.

Some of the notable local players in the IT landscape here include Millenium Information Technologies, eRunway, e-Ceylinco, Global Software Labs, East-West Information Services, John Keells Computer Services, Affno.com, and the IFS Group.

With offices in Colombo, Hyderabad and Massachusetts, eRunway offers customized software solutions for clients like Vignette, eDocs, Sema, Minolta, and Symantec. Founded in 1996 by Kris Canekaratne, the company now employs over 450 people worldwide.

MillenniumIT, founded in 1996 by Tony Weeresinghe, offers capital market solutions and Web-enabled trading for the stock exchanges of Colombo, Malaysia, Croatia and Mauritius.

"We are one of the relatively few product-oriented companies in South Asia; most are services companies," said Weeresinghe, CEO of the company. Its products include Effimark for trading and depository services, e-Client for portfolio management, and e-Depository for stock splits and mergers.

Next year, the company will be moving to a large 16-acre campus on the outskirts of Colombo. It also has offices in Singapore and Boston.

Though some IT companies are successfully exploiting Internet business models, there is growing concern over the digital divide in Sri Lanka - particularly outside the main urban centres, and numerous approaches are being explored to bridge the gap.

Internet access in cybercafes costs about US$1.50 per hour, but a full-fledged cybercafe revolution (as in countries like India) has yet to transform the access landscape in Sri Lanka - there are just about a
handful of Internet cafes in central Colombo. Very few schools have Internet access. However, the non-profit telecentre model is being supported by organizations like Mandate The Future (www.mandatethefuture.org).

"We have 50 media centres with Internet access in Sri Lanka and other countries in Asia. They are specially targeted at the youth, and stimulate social awareness and grassroots activism," said project director Kshitij Joshi, a graduate of the M.S. University in Baroda and formerly with the Gujarat Ecology Commission and Aga Khan Health Services.

But ensuring economic sustainability for many other telecentre projects in Sri Lanka and elsewhere has proven to be a challenge. For instance, the Internet-radio project in Kothmale, where a local radio station with Internet access lets users call in and ask questions about Internet resources, has unfortunately been without Internet access since February this year due to lack of funds.

Another approach to tackling the digital divide is via low cost devices like the US$25 handheld Internet-enabled office-computing device called ePDA, developed by the company Media Solutions in Colombo, with offices in San Jose and Singapore.

"The PC board for this Bluetooth-enabled ePDA was developed by Bangalore-based MindTree Consulting," says Mohamed Azmeer, general manager and co-founder of Media Solutions.

MediaSolv, the parent company, has also developed solutions called bizOA (www.bizOA.com -- for Internet-based groupware and messaging), WapSolv (www.wapsolv.com -- for Web and WAP portals), vProject (for remote project management), and ETHERchip (a system-on-chip solution for Internet-based personal information management).

BizOA's client list includes Indian law portal LexSite and U.S.-based Seattle Index. The ETHERchip will be marketed to countries like India, China, Malaysia and Thailand via a partnership with Aureus Technology Group (www.aureustec.com). Founded in 1997, Media Solutions also manages the
incubation services ConceptNursery.com and FundSolv.com.

Conference keynote speaker M.V. Mushin, CIO of the World Bank (the first Sri Lankan to hold this position), identified other notable examples like village kiosks in Madhya Pradesh in India, Thailand's rural Internet kiosks, Chile's Internet facilities for more than 5,000 schools, and Jamaica's IT strategy which calls for all Jamaicans to have an email account, at least from their local post offices, by 2002.

"The Sri Lankan government needs to lead by example rather than by regulation, and actively adopt e-government services," Mushin urged. IT also needs to be added to the national curriculum, he said.

"In addition to basic access, one of the larger concerns is to raise awareness about social and developmental aspects of new media among the younger generation," said Sharmini Boyle, co-founder of pan-Asian network Young Asia Television (www.yatv.net), part of the Worldview Global Media group whose partners include Mandate The Future and Media Solutions.