

M&A ACTIVITY, EMPLOYMENT REGULATIONS AND FASHION LAW CREATING OPPORTUNITIES FOR FIRMS IN COSTA RICA - EY TAX & LAW

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Energy sector clients in Honduras and Guatemala also driving demand for legal services, in addition to businesses operating in the Nicaraguan renewable energy and real estate sectors

“Costa Rica is the most mature market in Central America and the most attractive for investors and law firms, says Rafael Sayagués,” managing partner for Central America, Panama & Dominican Republic at EY Tax & Law. “There are opportunities in all the countries in the region, but the risks and challenges in each nation are different,” he adds.

EY Tax & Law partner Freddy Fachler says Costa Rica offers more potential than most of the Central American in many sectors, though he adds that countries such as Nicaragua follow closely behind, particularly in relation to real estate development and tourism.

"M&A deals are on the increase in Costa Rica, a country which multinationals are frequently selecting as the location for their Central American or Latin American headquarters, or their shared services centres," says Sayagués. "This trend is creating more work for law firms in the region," he adds. Costa Rica also recently passed a labour reform, and companies' need to adapt to the new legislation will also generate opportunities for employment lawyers. Meanwhile, Fachler highlights a number of other sectors that will drive increasing demand for legal services: "We are expanding and taking advantage of prospects in innovative sectors such as impact investing, social entrepreneurship, fashion law, and start-ups."

Clean energy

Meanwhile, law firms also have opportunities to grow their energy sector practices in countries such as Honduras, Nicaragua and Guatemala, Sayagués says. "At the moment there are interesting opportunities for clean energy in Honduras, Guatemala and the Dominican Republic, while Nicaragua has offerings in renewable energy and hospitality real estate," he explains. Elsewhere, the restructuring of the tourism sector in the Dominican Republic is attracting more interest, as is the banking, consumer products and infrastructure sectors, according to Sayagués.

"There are many well established law firms in Costa Rica and they have, so far, been more successful than their counterparts in neighbouring countries," argues Sayagués. However, he adds that they also face the challenge of having to differentiate themselves in a crowded market that includes local and regional law firms. In addition, firms face new trends in legal procurement, as well as increasingly demanding international clients.

In April 2017, EY Tax & Law announced the full incorporation of Integra Legal, a legal practice with offices in Costa Rica and Guatemala. The move came three years after Integra Abogados, in Costa Rica, and Möller Abogados, in Guatemala, joined EY Tax & Law Central America as Integra Legal. EY Tax & Law now has 200 professionals working in the DR CAFTA countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, as well as the Dominican Republic) and Panama – it includes 102 lawyers working alongside specialists in areas such as consulting, transactions, tax and assurance. Announcing the incorporation of Integra Legal, EY Tax & Law acknowledged that law firms had to "disrupt the traditional models that have been used to develop their operations and serve their clients". Key to this approach is what the firm considers to be the need to "anticipate new business trends."

Regional integration

Sayagués says the integration of Integra Legal was "a new step in the process of implementing modern trends in the professional services sector." He adds that this "requires us to offer the market the possibility of the full range of services required under a single structure with regional coverage, immediate access to services in all other markets in the world, industry and sector expertise, access to state-of-the-art technologies (such as automation and artificial intelligence) and added value, insights and knowledge beyond just traditional legal services that are rendered in isolation."

Both Fachler, a 2015 arrival from Integra Legal, and Sayagués, who joined EY in 2002, believe that "true regional integration" of law firms is achievable if firms put in place a model that incorporates one single partnership with integrated internal processes and centralised account management across business lines and services.