

By Stanimir Vaglenov

“Will I have heat in my home, or will my family freeze this winter?”

It seems funny to think about such an issue during the summer months, especially because I have dutifully paid my bills to Toplofikazia-Sofia, the company that delivers heat to the Bulgarian capital. During the past year, however, corruption scandals have rocked the energy company, which is owned by the Ministry of Economy and Energy and the Municipality of Sofia. The scandals began unraveling on July 5, 2006, when Toplofikazia-Sofia Executive Director Valentin Dimitrov was arrested on corruption charges.

The previous day, a tax inspector, Alexander Angelov, was arrested in a cafe while carrying 135,000 leva (US\$88,345) in bribe money. He faced charges that he requested a bribe of 1.5 million leva (US\$1 million) from Sofia businessman Valentin Zahariev, former CEO of the Kremikovtsi steel factory, in exchange for a delay in the tax payments owed by the company. The inquiry into his case lasted only 14 days, after which, in January, the Sofia Municipality Court sentenced Angelov to two and a half years in prison.

Dimitrov's trial, however, is still ongoing. The energy company executive was arrested and charged with tax evasion and embezzlement after prosecutors found several bank accounts and deposit boxes containing 12 million leva (US\$8.5 million) in Bulgaria and Austria. Meanwhile, the company he led teetered on the brink of bankruptcy. After serving 10 months and 17 days in custody, Dimitrov was set free by the Sofia City Court for a 20,000-lev (US\$14,180) bail. Subsequently, 16 bank accounts in his and his mother's names have been frozen in five Bulgarian banks.

On December 13, 2006 several other Toplofikazia-Sofia executives were arrested in connection with the scandal. The company's Executive Director Georgi Rogachev and his deputy, Emil Antonov, were taken into custody on charges of embezzlement. The same day, Maya Stoylova, owner of Shiber Ltd., one of the heating company's equipment suppliers, was also arrested on charges of embezzling funds. Prosecutors discovered the connections after searching Dimitrov's deposit boxes in the Post Bank. They found 700,000 euros (US\$971,000) in one such box that Stoylova shared with Dimitrov.

On May 11, 2007, businessman Krasimir Georgiev, the owner of the company Frontier and a known close friend of the then Economy Minister Rumen Ovcharov, was charged with two counts of money laundering, one for 500,000 leva (US\$355,000) and the other for 450,000 Euros (US\$624,100). Although the authorities have not acknowledged it, the Toplofikazia scandal seems to be related to the June resignations of both Ovcharov and the director of the National Investigation Service, Angel Alexandrov. Both men are now charged with obstructing justice in the heating company case.

The risk that Toplofikazia-Sofia will go bankrupt is now greater than ever. Customers owe the energy company 190 million leva (US\$134.7 million) and the new director of the company, Petko Milevsky, said only 38 percent of customers will eventually pay. That means more 60 percent of the customers refuse to pay for service because they think their money will sink into the pockets of crooked state officials and corrupt political parties. At the same time, Toplofikazia-Sofia owes 150 million leva (US\$106.3 million) to Bulgargas, the state gas supplier.

Prime Minister Sergey Stanishev validated my worries about corruption. "The issue continues to be critical with corruption and organized crime, and the attempts [to curb it] are taken from the government not only by legislative leads, but by other concrete measures as well," Stanishev said on July 13, 2007. On the same day that Stanishev made those remarks, a prominent businessman, Manol Velev, was shot in the head in front of his office in the city center of Sofia. Velev was among the big donors to the campaigns of the governing Socialistic Party and is among the official advisers of President George Parvanov.

I must mention also that there have been some results in the struggle against corruption – significant results too, if compared to the inactivity of the previous governments. The Prosecution's Office, especially Prosecutor General Boris Velchev, is active and persistent.

In March 2007, Minister of Internal Affairs Rumen Petkov revealed that between October 2006 and March 2007: 1,706 pre-trial actions for wrongdoings associated with corruption were resolved; 705 people were indicted on 599 charges; and 297 people were sentenced. Petkov announced that in 2006 the Ministry received 8,500 complaints from citizens about corruption, 240 of which involved Interior Ministry officials. Petkov said 100 of the 240 complaints were investigated completely and 40 were validated, with measures taken.

The inspectorate of the Minister's Council said at the end of March 2007 that 39 employees of the administration had been fired during the previous six months due to allegations of corruption, another 57 people received disciplinary warnings, and 11 remain under investigation by the Prosecutor's Office.

The judgments, however, were mostly for probation or discharge, and there were only a few effective punishments for small fiscal crimes. This is demonstrated in the 12 sentences passed from October 2006 to June 2007. Punishments range from 11 months to four years in jail, and from 3,000 to 20,000 leva (US\$2,126 to \$14,180) in fines. The harshest sentence was four years in prison and a fine of 10,000 leva (US\$7,100) for a car stolen 10 years ago.

There are other cases in which no punishments were given. One example is that of the former head of the Metropolitan Traffic Police, Iliia Iliev, who was fired in August 2006 when police arrested a group led by her son, Nestor Nestorov. With Iliev's help, the group helped clients register luxury cars and avoid customs fees. Nestorov's group used the computer system in the Traffic Police to erase any records of wrongdoings. The Sofia Military Prosecution brought charges but, claiming that the case lacked conclusive evidence, the judge found Nestorov not guilty.

The prosecution also probed 22 cases of misappropriation of money from the European Union funding programs Special Accession Program for Agriculture and Rural Development (SAPARD), Phare and The Pre-Accession Structural Instrument (ISPA), said Prosecutor General Boris Velchev in February 2007. Some of the cases have been brought to court, while others are under investigation.

The most high-profile of these cases involved a prominent businessman named Ludmil Stojkov, a big donor to the election campaign of President George Parvanov. Stojkov's name appeared in all six deals under investigation, which involved the extortion of more than 7 million euros (US\$9.7 million) from EU funds. The scandal involved exporting of old food-manufacturing machines from Bulgaria to the Swiss-German border and importing them back to Bulgaria with fake documents and passing them off as new as new. Stojkov was released after being arrested, and no sentence against him has been given.

"Losses from corruption in the sphere of public orders are more than 500 million leva (US\$354.5 million) annually," said the chief of a parliamentary commission of to fight

corruption, Bojko Velikov. Corruption in this sector has never been so rampant and unpunished, Velikov said.

“There is an umbrella over the gray economy,” said Vanyo Tanov, the former director of the Main Directorate for the Fight Against Organized Crime. Tanov said it is difficult to investigate economic corruption, especially concerning stock and excise contraband, because interests are so great in these sectors.

“Organized crime is a function of the high-level political corruption in the country,” Tanov said. He resigned from his position as an organized crime investigator because he said the body is unable to work against high-level corruption. Tanov also resigned in protest of a “political smokescreen” that had been created to hide the country’s shadow economy. The authority had reached its limits in its fight against corruption in the “higher echelons of power,” Tanov said. The smuggling of goods covered by tax laws was protected by politics, he added.