

An army of politically-appointed proxies and shell companies shield the identity of a controversial Bulgarian energy oligarch seeking compensation from Serbia.

His name cannot be found in any of the records relating to the case and lawyers involved say they have never heard of him.

But Bulgarian energy tycoon Hristo Kovachki is the man behind a claim brought against the Serbian government in late April at a World Bank-administered arbitration court in Washington, BIRN can reveal.

Kovachki has spent 12 years masking the level of his involvement in the failed privatisation of a Serbian coalmine at the heart of the dispute.

But a former partner in the venture says Kovachki, 56, was ultimately behind it, and that just a matter of months ago the tycoon consulted him on taking the Serbian government to court over its 2010 decision to strip a Kovachki-controlled company of ownership of the coalmine.

"He invested around 110 million euros in Serbia and he lost all that money," Milan Radunovic told BIRN. "He wanted to go to court because our government cancelled the agreement for the coalmine without any reason."

Kovachki's office in Sofia did not respond to a request for comment. Nor did the Serbian government.

Political party connections

The claimant in the case, which was registered on April 30 by the International Centre for the Settlement of Investment Disputes, ICSID, is the Bulgarian firm Kornikom, which paid 17 million euros in 2007 for a 70 per cent stake in the state-owned coalmine in Kovin, a town in Serbia's northern Vojvodina province.

Three years later, Serbia's Privatisation Agency stripped Kornikom of its stake, citing, according to records with the Belgrade Stock Exchange, the company's alleged failure to prevent corruption and "create social stability".

Lawyers for Kornikom said the company disputes this.

"Having reviewed the claim... we're satisfied there's no merit in that, and we're satisfied our client has a good claim," said Robert Wheal, a partner with international law firm White & Case.

Asked about Kovachki, Wheal told BIRN he had never heard of him and that White & Case had never received any instruction from anyone going by that name in the Kornikom case. Kornikom's sole shareholder, according to its listing in the Bulgarian corporate registry, is

72-year-old Bulgarian economist Dimitar Stefanov, who was an MP for a Bulgarian monarchist party from 2001 to 2005, representing the district of Pleven, where Kovachki has extensive business interests.

Stefanov later switched allegiances to a party called Lider, founded in 2007 and, according to leaked US embassy cables, bankrolled by Kovachki.

Described by Vanya Nusheva, director of the Bulgarian arm of Transparency International, as Kovachki's "personal political project," Lider has never managed to enter the national parliament but did enjoy what was characterised in the leaked cables as "vote-buying success" in local elections.

Throughout a web of companies connected to Kornikom and the failed Kovin coalmine privatisation, a recurring theme is the presence of Lider party candidates as nominee directors and shareholders.

Proxies

When Kornikom was founded in 2004 it had two shareholders, each with a 50 per cent stake in the company.

The first was International Mining Trust, a Liechtenstein company whose true ownership was shielded by nominees from another Liechtenstein firm, Administrat Anstalt, representatives of which did not respond to multiple requests for comment.

The second was Chavdar Peychev, a prolific businessman and from 2014 to 2017 an MP for Montana, Bulgaria's poorest region.

He was elected as part of the 'Bulgaria Without Censorship' party, which made it into parliament after running in coalition with Kovachki's Lider party. Bulgaria Without Censorship is financed by Tsvetan Vassilev, who received political asylum in Serbia in 2018 despite a Bulgarian request for his extradition to face bank fraud charges.

Peychev is also a key management figure in several other companies linked to Kovachki.

One such firm is Mini Otkrit Vagledobiv, holding company to a formerly state-owned Bulgarian coalmine in the town of Pernik, near the Serbian border.

The mine has formed part of what a 2018 Greenpeace report dubbed Kovachki's "coal empire" since it was acquired by Kornikom in a 2004 privatisation auction. Kornikom, which was just weeks old at the time, faced little opposition at the auction after a bomb threat was called in to the auction house that day. Peychev was one of the mine's first post-privatisation directors.

In the years since, ownership of the mine has passed through a series of shareholders, all of

which the Greenpeace report suggested were proxies for Kovachki. First it was transferred to Amrafel Limited, a company registered in the notoriously opaque offshore jurisdiction of the Seychelles. Eventually, in July 2014, it came to be owned by Laumer Limited, a British company.

Suspect accounts

Laumer's sole director and shareholder is Roger Stuart Poppleton, a British man from Wakefield, a town in northern England. As an employee of Mailbox UK, a firm offering nominee director and shareholder services to individuals and businesses seeking to maintain privacy, Poppleton has been an officer of at least 105 other British companies in recent decades.

While nominee arrangements are not illegal, British companies are required to maintain a register of their beneficial ownership, i.e. who ultimately controls the company and benefits from its profits, to be disclosed on request.

Mailbox UK's owner is Stuart Ralph Poppleton. He would not disclose the name of Laumer's beneficial owner but did say that they were in Bulgaria.

"I've got the details of the beneficial owners here. But obviously I can't give them out over the phone. The person's in Bulgaria anyway," Poppleton told BIRN.

This would appear to contradict Laumer's official filings with Companies House - the British corporate registry - which state that the beneficial ownership is not known.

Under British law, it is an offence punishable by an unlimited fine and up to two years in jail to knowingly cause false filings to be submitted to Companies House.

Laumer's accounts also show the company's total assets each year as just £1, despite its ownership of a £1.6 million mining complex.

Asked about the apparent discrepancies, Poppleton replied: "I've had our accountant look at it and they're satisfied that it complies with the regulations."

Another company in the Bulgarian corporate registry, Eko Analiz, underwent an almost identical pattern of island hopping and jurisdiction shopping. But its origins lie in Kornikom's failed privatisation of the Kovin coalmine.

Swapping shares

Founded in 2007, Eko Analiz took a controlling share in a Serbian company founded the same year under the name of Energy Consulting and Engineering, ECE. Thirty per cent was

held by the Kovin coalmine. ECE was then contracted by the newly-privatised mine to undertake analyses in preparation for the construction of a coal-fired power station near the mine and to be called Novi Kovin (New Kovin).

In 2010, the year the privatisation was cancelled, Kovin coalmine sold its stake in ECE to Eko Analiz for 150 euros. Despite the cancellation of the privatisation, the mine was obliged to maintain its pre-existing contracts with ECE.

By 2011, the total share capital of ECE was 395,500 euros, meaning the value of the 30 per cent stake sold by the mine to Eko Analiz had multiplied almost 800 times over in the year since the cancellation of the privatisation.

Like Kornikom, Eko Analiz's corporate filings are full of connections to Kovachki.

Its founding shareholder, Georgi Delchev, stood for election to the municipal council of Primorsko municipality in the south-eastern Bulgarian region of Burgas in 2007. He ran on the Lider party ticket.

Eko Analiz's shares were then transferred to Stoyan Tyuyliev, who in 2011 stood for election to the municipal council of Dimitrovgrad, where Eko Analiz was domiciled, again on behalf of the Lider party.

Next, the shares passed to Valentin Terziyski, who in 2007 stood for election to Sofia's municipal council, for the Lider party.

After Terziyski came Boris Metodiev, who does not appear to have run for election for any party but is a shareholder in a number of Kovachki-linked enterprises.

Metodiev then transferred his shares to Kornvors Limited, a Seychelles company which in turn transferred them to Dowan Limited. Dowan's sole director and shareholder is a Cypriot by the name of Savva Panagiotis, who has held positions in at least 99 companies in the UK alone.

Similarly to Laumer Limited, Dowan's company accounts show total assets of just £100, despite its ownership of Eko Analiz, which in turn owns the 395,000-euro ECE.

'He controls those companies'

Milan Radunovic was general manager of ECE and a founding partner in the company until he sold his eight per cent stake to Eko Analiz in 2012.

An economics professor and as of March 2018 Hungary's honorary consul in the Serbian city of Kragujevac, Radunovic told BIRN there was never any confusion about who ultimately controlled Kornikom or Eko Analiz: Kovachki.

"He is not the owner of Eko Analiz directly, but he controls those companies," Radunovic

told BIRN.

In a telephone interview in English on May 14, Radunovic said he had visited Kovachki's office in Sofia three months prior "because he arranged one law office from London."

Radunovic did not name White & Case by name, but the partners from the firm acting in the Kornikom case are based out of its London office.

Why the secrecy?

Genady Kondarev, a campaigner with the Bulgarian environmental NGO Za Zemiata, believes it is part of an effort by Kovachki to insulate himself from any legal ramifications of his business dealings.

"At the end of the day he needs to be secure that nobody will be able to prosecute him," Kondarev told BIRN.

'Dirty business'

ICSID arbitrations can drag out over years and run up costs for each party in the millions of dollars.

The case may also require more transparency than Kovachki might like.

In an ongoing case against Serbia at the ICSID, Cyprus-based Mera Investment Fund Limited was forced to acknowledge that its beneficial owner is Marko Miskovic, who was jailed alongside his multimillionaire father Miroslav for tax evasion earlier this year.

Radunovic said that when he was summoned to Kovachki's office in Sofia earlier this year, he was confused to find that the magnate was choosing to take legal action against Serbia nearly a decade after the government overturned the mine privatisation, not least because Radunovic had argued unsuccessfully at the time for Kornikom to fight back.

"Find a good lawyer to start some action," Radunovic recalled urging Kovachki's aides in 2010. "Nobody wanted to organise such a meeting. Mr Kovachki's management said, 'Okay, you are out of the business, why do you want to get involved?'"

"My personal opinion is that Mr Kovachki had an excellent approach," he said.

"But a major mistake was organising management with people from Bulgaria... I don't like to say it, but they made a very dirty business. I think Mr Kovachki didn't have enough control and that's why he lost the coalmine."

Source: balkaninsights.com