

**ERIC TOUSSAINT**

**THE LIFE  
AND CRIMES  
OF AN EXEMPLARY  
MAN**

**CADTM**

Éric Toussaint

# The life and crimes of an exemplary man

Jacques de Groot, Executive Director at the IMF  
and World Bank for 20 years

*The Life and Crimes of an Exemplary Man*

By Eric Toussaint

CADTM

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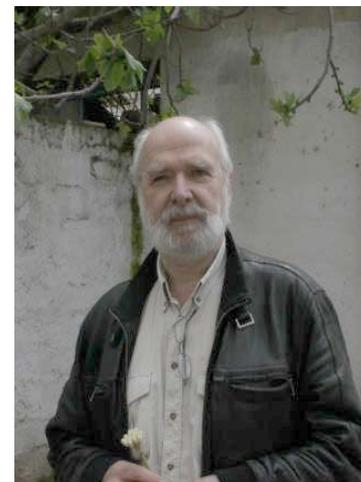
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Eric Toussaint, doctoral thesis in political science, presented in 2004 at the Universities of Liège and Paris VIII: “Enjeux politiques de l’action de la Banque mondiale et du Fonds monétaire international envers le tiers-monde” (“Political aspects of the World Bank and the International Monetary Fund actions toward the Third World”), <http://cadtm.org/Enjeux-politiques-de-l-action-de>

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This book is dedicated to Patrice Lumumba (1925-1961),  
Thomas Sankara (1949-1987), and all the other African  
women and men who are fighting for social justice and  
for the abolition of all forms of oppression.

**Eric Toussaint**

## Preface by Aminata Traoré

The descent into savagery continues throughout the world with its attendant human suffering, blood, and tears. Impoverished and starving people who storm the streets do sometimes manage to oust military and civilian dictatorships; yet, they are not able to change the root causes of inequalities, injustice, and corruption. They are powerless with respect to the “permanent *coup d'état*” tirelessly denounced by Éric Toussaint in his analyses of the inner workings of the International Monetary Fund (IMF) and the World Bank.



*The Trial of an Exemplary Man* adds a new dimension to his analyses, and a new chapter to the precious research carried out by the Committee for the Abolition of Third World Debt (CADTM) to demystify these Bretton Woods institutions. The potions concocted by the IMF and World Bank are not only bitter, they are also often deadly.

War-torn Mali is not suffering from a security crisis in the north and an institutional crisis in the south, as the dominant discourse pretends. It is one of the best pupils of these institutions, which are responsible for its crumbling State structure, the permeability of its borders, and the despair of unemployed young people, who are ready to wage war wherever they can.

To cap it all off, Mali is about to engage in a new cycle of over-indebtedness to pay for its reconstruction according to the same paradigm and under the supervision of the same international financial institutions (the IMF and WB).

Stories such as this one about the life of Jacques de Groote, who used to be an executive director at these two institutions, and has now been condemned by the Swiss courts for fraud, aggravated money laundering, and document forgery, clearly illustrate the moral crisis afflicting the dominant social classes today.

The peoples of the world could act together and more effectively if information were treated in a way that would allow them to understand the responsibilities of the key players. Éric Toussaint's book is a valuable tool that can educate citizens in the North and in the South.

## **Introduction by Pauline Imbach and Damien Millet**

As financial and political scandals come and go, the names of important personalities pepper the international press, but in general, we only remember scattered details.

Jacques de Groote, the subject of this book, is an interesting example. He was Belgium's executive director at the IMF and World Bank for nearly twenty years, and has recently been condemned in Bellinzona, Switzerland for "aggravated money laundering", "fraud", and "document forgery." This story received a great deal of media attention in Europe and beyond throughout 2013.

What interests Éric Toussaint, who has radically criticised the IMF and the World Bank for several decades, is the emblematic role played by Jacques de Groote during a historical period of these two important international financial institutions to which the major media outlets accord so much attention. It is impossible to criticise them or their actions and unimaginable to question their existence in any way. Somehow, they are above all reproach. Their failures, and the serious damage resulting from them, have all been caused by conditions beyond their control. They enjoy unlimited intrinsic legitimacy. Being protected by immunity in the exercise of their functions, those in charge are never called to account. Since their creation in 1944, neither of these institutions has ever been taken to court despite repeated violations of human rights.

These two institutions are under the orders of the dominant governments and the big multinationals, oscillating between private interests (political, economic, and financial) and the interests of the great powers.

This fascinating book, which can be read like a historic novel, highlights these different aspects with examples taken from the career of Jacques de Groote. Éric Toussaint practices neither insinuation nor defamation; he sticks to the facts, basing his enquiry on clearly defined sources.

The narration takes us through the Congo of Mobutu, infamous for the harshness of his dictatorial regime and the personal fortune he amassed on the backs of the Congolese people. Then it is on to Rwanda where our hero helps his friend Van Den Branden, a baron and CEO of a major mining company. Killing three birds with one stone, de Groote acted in favour of the institutions he was representing, his friend, and the regime of General Juvenal Habyarimana. The saga continues in the Czech Republic with the fraudulent privatisation of MUS (*Mostecká Uhelná Společnost*), one of the principal Czech coal mines. Belgium and its kingdom's interests are also part of the narrative, as is the generalisation of neoliberal policies starting in the 1980s, and pressure groups, political friendships, and alliances. The operations take on a worldwide character: trials in the U.S. and Switzerland, a pipeline in India, World Bank and IMF success stories in Mexico, relations with the big international private banks, and on several occasions clear conflicts of interest.

The backdrop of this work remains the international financial institutions that are so often guilty of infringing upon and violating human rights. Lifting the curtain to unveil their actions is essential. It goes without saying that they must answer for them, as must their Directors and representatives. It is crucial to analyse the powerful methods of domination at work all over the planet for the last seventy years. The CADTM has endeavoured to make this radical critique for over twenty years, and has published numerous analyses enabling us to understand the deathly logic commanding major international decisions.

The final chapter of this saga has not yet been written, but this work offers a clear analysis of the neoliberal agenda and provides valuable material for anyone wishing to understand and combat this unjust system.

Now is the moment to discover this well documented work, which should strengthen our conviction that we must act now, and lead us to engage in a liberating revolt.

## The Trial of an Exemplary Man

Jacques de Groot, the former Executive Director at the IMF (1973-1994) and World Bank (1975-1991) for Belgium, was condemned in October 2013 by Swiss courts in an affair concerning the fraudulent privatization of the principal coal mine in the Czech Republic. His co-defendants, five Czech executives, were given fines and prison sentences ranging from 36 to 52 months. The five Czechs were found guilty of aggravated money laundering, fraud, and document forgery. These verdicts are related to the misappropriation of assets of the Czech mining company MUS (Mosteck Uhelna Spolecnost) from 1997 to 2003. These five corrupt businessmen, some of whom were former executives of the company or members of its Supervisory Committee, had succeeded in gaining control of nearly 97% of MUS. Deposited in hundreds of bank accounts in Switzerland, Liechtenstein, the Bahamas, and elsewhere, the money they misappropriated was laundered via more than 30 intermediary companies. According to the Swiss daily, *Le Temps*, “Jacques de Groot participated in this massive deceit and in return received about one million Swiss francs. He played a shady role backing up the idea that there were possible foreign investors. Thanks to him, the five Czech businessmen could go forward wearing a mask.”<sup>1</sup> “He took advantage of his excellent reputation” and gave the Czech authorities and media information that he knew was “contrary to reality”, lamented Jean-Luc Bacher, president of the court, as he read out the guilty verdict.<sup>2</sup> According to *La Libre Belgique*, which is generally favourable to him, following the judgement Jacques de Groot declared, "I will appeal this decision

<sup>1</sup> *Le Temps*, « CH/TPF: épilogue d'une escroquerie au préjudice de l'Etat tchèque » (CH/TPF: epilogue to a fraud against the Czech Republic), [http://www.letemps.ch/Page/Uuid/0fcb13ea-31c5-11e3-90ce-366ce1911a39/CH/TPF\\_%C3%A9pilogue\\_dune\\_escroquerie\\_au\\_pr%C3%A9judice\\_de\\_lEtat\\_tch%C3%A8que#.UlfHWn8ZN-w](http://www.letemps.ch/Page/Uuid/0fcb13ea-31c5-11e3-90ce-366ce1911a39/CH/TPF_%C3%A9pilogue_dune_escroquerie_au_pr%C3%A9judice_de_lEtat_tch%C3%A8que#.UlfHWn8ZN-w)

<sup>2</sup> *Le Temps*, « Les six accusés de l'affaire MUS sont déclarés coupables » (Six defendants in the MUS affair found guilty) <http://www.letemps.ch/Page/Uuid/474500c0-31e2-11e3-90ce-366ce1911a39>

to show that I acted in good faith. It is crucial for me to put an end to this long chain of trials that has lasted for more than ten years, and ruined me morally, financially, and at 86 years old - physically".<sup>3</sup>

Beyond the narrow scope of this trial, it is interesting to take a broader look at Jacques de Groote's personal trajectory, because he was an emblematic figure of the IMF and World Bank, and there is a link between the role he played in these institutions and this affair brought before Swiss courts.

Indeed, as Belgium's Executive Director at both the IMF and the World Bank, Jacques de Groote presided over the group of countries represented by Belgium, which held 5% of the voting rights on the boards of these two institutions (at that time, more voting rights than France, the UK, China, or India). At the end of his term, this group included Belgium, the Czech Republic, Slovakia, Slovenia, Austria, Luxembourg, Turkey, Belarus, Hungary, and Kazakhstan.

The World Bank and the IMF implemented the same privatization process in the Czech Republic as those rolled out in most of the other ex-Soviet bloc countries when Jacques de Groote was executive director. A few years after the end of his term, he became president of the "Appian Group," a Swiss company, based in Fribourg, specializing in investments in the privatized companies of Central and Eastern Europe, and in particular in the Czech Republic.<sup>4</sup>

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<sup>3</sup> *La Libre Belgique*, "Jacques de Groote condamné à une amende avec sursis" (Jacques de Groote condemned to pay a suspended fine), 11 October 2013  
<http://www.lalibre.be/economie/jacques-de-groote-condamne-a-une-amende-avec-sursis-5257739a3570d36e85e2a81c>

<sup>4</sup> See *Financial Times*, Robert Anderson, "Appian Group: A secretive power to be reckoned with", 21 September 2004. See also: <http://www.investorvillage.com/mbth...> The Appian Group was founded in 1996 by Stephen L. Norris, who established the head office in the US tax haven state of Delaware. The Appian Group took over the the MUS corporation in 1998, and Stephen L. Norris handed over the presidency of the Group in 1999 to Jacques De Groote who transferred its head office to Fribourg. A few years later, in 2003–2004 Appian moved again, helped by Credit Suisse, to another tax haven Guernsey. I have been doing research on this company since 2005. At that time, the Appian Group was easily visible on internet. The references to this group on internet have since been carefully erased.

According to the Financial Times, the “Appian Group came from nowhere to become one of the largest and most powerful financial groups on the Czech business scene.”<sup>5</sup> It employed 15,000 people, and owned, in addition to the MUS mine (taken over in 1998), the Skoda engineering group (which was also privatized), and other companies. Its favourable relations with the Czech government were openly criticized by its competitors as well as by JP Morgan bank.

Concerning the privatization of the MUS mine, the Financial Times has suggested that the mine directors and the Appian Group (under the presidency of Jacques de Groote) used MUS cash reserves to repay the loans taken on to pay for the buyout itself.<sup>6</sup> In addition, large sums of money were supposedly transferred out of the country. It was later noticed that MUS had been gutted. The 660 million francs frozen by the Swiss authorities are probably to a large extent made up of this money. According to Le Temps, “At the end of the 1990s, six Czech citizens and a Belgian are supposed to have made money illegally through this privatization via the complex financial scheme they had developed. The Public Prosecutor of the Confederation (MPC) took interest in this affair as soon as the money used in the operation entered Switzerland.” It is also worth noting that the current MUS Corporation has also brought accusations in the procedure that began in May 2013. The Czech police have also accused the six Czech citizens and Jacques de Groote in this affair.<sup>7</sup>

### **Who initiated the legal proceedings brought by the Swiss courts against de Groote?**

Considering that Jacques de Groote had wronged him, Alain Aboudaram, the Director of a Swiss financial consultancy company,

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<sup>5</sup>Ibid.

<sup>6</sup> This is also suggested in a release by the Czech press agency CTK, which summed up the legal affair in Switzerland as follows: “The Swiss federal prosecutor’s office, following five years of investigations, says top managers may have siphoned off company cash allowing themselves to take control of MUS while depositing funds in Swiss accounts” (24/11/2011, <http://www.ceskapozice.cz/en/tag/ma...> ).

<sup>7</sup> See <http://praguemonitor.com/2012/06/22...> accessed on 9 June 2013.

denounced de Groote and the other defendants. In 2004, he gave the Swiss courts a considerable amount of precise information concerning a vast money laundering operation. The extremely interesting aspect of this affair is revealed in several sentences handed down by US courts in a case that opposed Alain Aboudaram and Jacques de Groote.<sup>8</sup> In particular, we learn that Jacques de Groote received compensation from Alain Aboudaram's company in exchange for his assistance in decreasing the tax liabilities of his company Skodaexport. Alain Aboudaram had direct interests in this company, which had won a World Bank contract to build a pipeline in India with help from de Groote.<sup>9</sup>

The sentence handed down by the US Justice Department indicates very clearly that Jacques de Groote received large sums of money from Alain Aboudaram's company in exchange for his services, which de Groote has in fact recognized. According to the Belga news agency on 13 May 2013: "A significant amount of money was paid to Mr de Groote. During the trial, Mr de Groote claimed that he was entitled to nearly \$3 million for his services, and that he had already received at least \$1 million."<sup>10</sup> The US courts ultimately dismissed Alain Aboudaram's case against Jacques de Groote, who was therefore not convicted.

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<sup>8</sup> See in particular: <http://law.justia.com/cases/federal...>

<sup>9</sup> "Skodaexport sought financial advice in reducing its tax liability to the Czech government and to obtain a contract through the World Bank to build an oil pipeline in India. Tr. Feb. 24, 2004, at 139-40. Presumably relying on his contacts, de Groote obtained a copy of a relevant study that the World Bank had done in India, explored the status of the project at the World Bank, determined how much money had been earmarked for it, identified SkodaExport's potential competitors, and introduced Aboudaram to the World Bank official in charge of the project" [http://www.dcb.uscourts.gov/pdf\\_fil...](http://www.dcb.uscourts.gov/pdf_fil...)

<sup>10</sup> See excerpt from the judgement: "According to de Groote, he and Aboudaram orally agreed that CAASA would pay de Groote one-third of the fees CAASA earned from SkodaExport, which would amount to almost \$3 million. CAASA denied that it had agreed to pay de Groote for his SkodaExport work on a percentage basis, and instead insisted that it had already compensated him on flat rate terms for individual services rendered. The parties agree that CAASA did pay de Groote at least \$1 million. See Appellant's Br. 12 n.24; Appellee's Br. 3." <http://law.justia.com/cases/federal/appellate-courts/F3/460/46/580705/>

Does this make you think of influence peddling? You may be right. Nevertheless, the US courts ruled that de Groote's activities were not reprehensible. The World Bank found nothing odd at all about his activities either. Of course not! All those speeches about good governance concern leaders of Southern countries, not the (former) Executive Directors at the WB and IMF.

### **Accusations of conflicts of interest in Jacques de Groote's "African" past**

In December 1990, the Wall Street Journal published the results of a long investigation on Jacques de Groote, who was then an Executive Director at the IMF and World Bank.<sup>11</sup> The WSJ considered that de Groote made systematic use of his influence at the IMF and WB to serve the interests of the dictator of Zaire, Mobutu. The journalists argued that there was a conflict of interest: de Groote supposedly gained financial advantages because of his privileged position at the banks. The financial daily also asserted that de Groote benefited from his position at the WB and IMF in the case of Rwanda. Here again, the World Bank and the IMF Management felt there was nothing odd to report. This affair received a great deal of attention from the media at that time. Several articles appeared in *Le Soir*, the most important Belgian daily paper in French,<sup>12</sup> and overall Jacques de Groote was treated quite well. *Le Soir* was rather indulgent, not to mention *La Libre Belgique*, which is owned by de Groote's political family (the Catholic Party, which has become the Christian Social Party).

It must be said that he has many allies in the establishment, in Belgium and beyond, which has repeatedly enabled him to escape from justice.

Jacques de Groote is a collector of official titles: Grand Officer of the Order of Leopold I (Belgium), Grand Officer of the Order of Orange-Nassau (the Netherlands), Commander of the Order of Merit of Austria, Commander of the Order of Luxembourg, Red Star of

Hungary with a Golden palm, and last but not least, Officer of the Order of Zaire, bestowed upon him by the dictator Mobutu himself.<sup>13</sup> From 1980 to 1989, he was a member of the jury of the King Baudouin Foundation, which “fights poverty and underdevelopment.” From 1963 to 1992, de Groote was a professor in the Economics Department at the University of Namur (Belgium). From 1963 to 1973, he was a part-time professor at the Louvain Catholic University. From 1957 to 1960 and 1963 to 1965, he was a lecturer at the Lille Catholic University (France).

### **A critical Wall Street Journal report**

The WSJ pointed out that de Groote was living the high life, and running up debts (\$1 million in 1990 according to the paper),<sup>11</sup> which led him to borrow money from Belgian business magnates in the Congo and Rwanda, where the World Bank and the IMF were very active. Interviewed by the WSJ, de Groote denied any conflict of interest, and argued that he had never used his position for personal gains. Meanwhile, the WSJ argued that General Mobutu’s corrupt regime and other dictators benefited from the generosity of the WB and IMF. It revealed that under Mobutu, Zaire ran up a total debt of \$1.6 billion vis-à-vis the IMF and WB, while President Mobutu became one of the richest men on earth.<sup>12</sup> The WSJ goes on to explain that de Groote had been an official and unofficial advisor to Mobutu’s regime as of 1967. The WSJ asserted that when relations became tense between the IMF, the World Bank, and Mobutu in 1982, de Groote intervened to inform officials in Kinshasa about what the IMF mission was expecting from them during its upcoming visit. At stake was the disbursement by the IMF of a \$246 million loan. The WSJ mentions rumours that de Groote had received money, provided by

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<sup>11</sup> Pound, Edward T, “Cozy Ties: IMF, World Bank Aide Has Dealings Hinting At Conflict of Interest --- Jacques de Groote Counsels Zaire, Got Help of People He Was in Position to Aid --- He Denies Any Improprieties” *Wall Street Journal*, 28 December, 1990.

<sup>12</sup> “The African nation owes the IMF and World Bank more than \$1.6 billion, yet President Mobutu has become one of the world’s wealthiest men, reputedly a billionaire.”

Mobutu himself, from officials of the regime. Here again, de Groote denied everything. The WSJ goes on to assert that de Groote had received a loan from baron Jean-Louis van den Brande who had direct interests in Géomines, a Belgian mining company that was active in Rwanda, and had gained advantages from the policy recommended by the World Bank and the IMF to devalue the Rwandan franc (which would boost the mine's export advantages). According to the WSJ, the loan that was originally \$50,000 dollars (in 1990) had tripled to \$150,000, because de Groote had not honoured his promise to pay it back. The director of the bank concerned declared to the WSJ that he was afraid of filing a complaint against de Groote because of the backers he had. The same baron is also supposed to have assisted de Groote in a real estate deal in the United States.

A few days after the article appeared in the WSJ, *Le Soir* questioned Groote on this affair:

“According to the WSJ, a Belgian company directed by one of your friends, Mr. Van den Branden – thanks to whom you obtained a loan--, supposedly benefited from this devaluation?

▸ Any adjustment in the exchange rate has an effect on companies. It's not my fault if I have a friend who has a mine in Rwanda. And if I asked him to help me obtain this loan, it's because I wanted to avoid asking the banks myself due to my very close direct relations with them.”<sup>13</sup>

“It's not my fault if...” There is obviously no need to comment upon such an answer.

This Wall Street Journal article also points out that as Belgium's Executive Director at the World Bank and IMF he had no responsibility over Zaire and Rwanda, because these countries were not part of the group presided over by the Kingdom of Belgium. Nonetheless, according to the WSJ, de Groote used his influence and gave his advice to the leaders of these two countries, Marshal Mobutu and General Habyarimana. According to the WSJ, de Groote went to

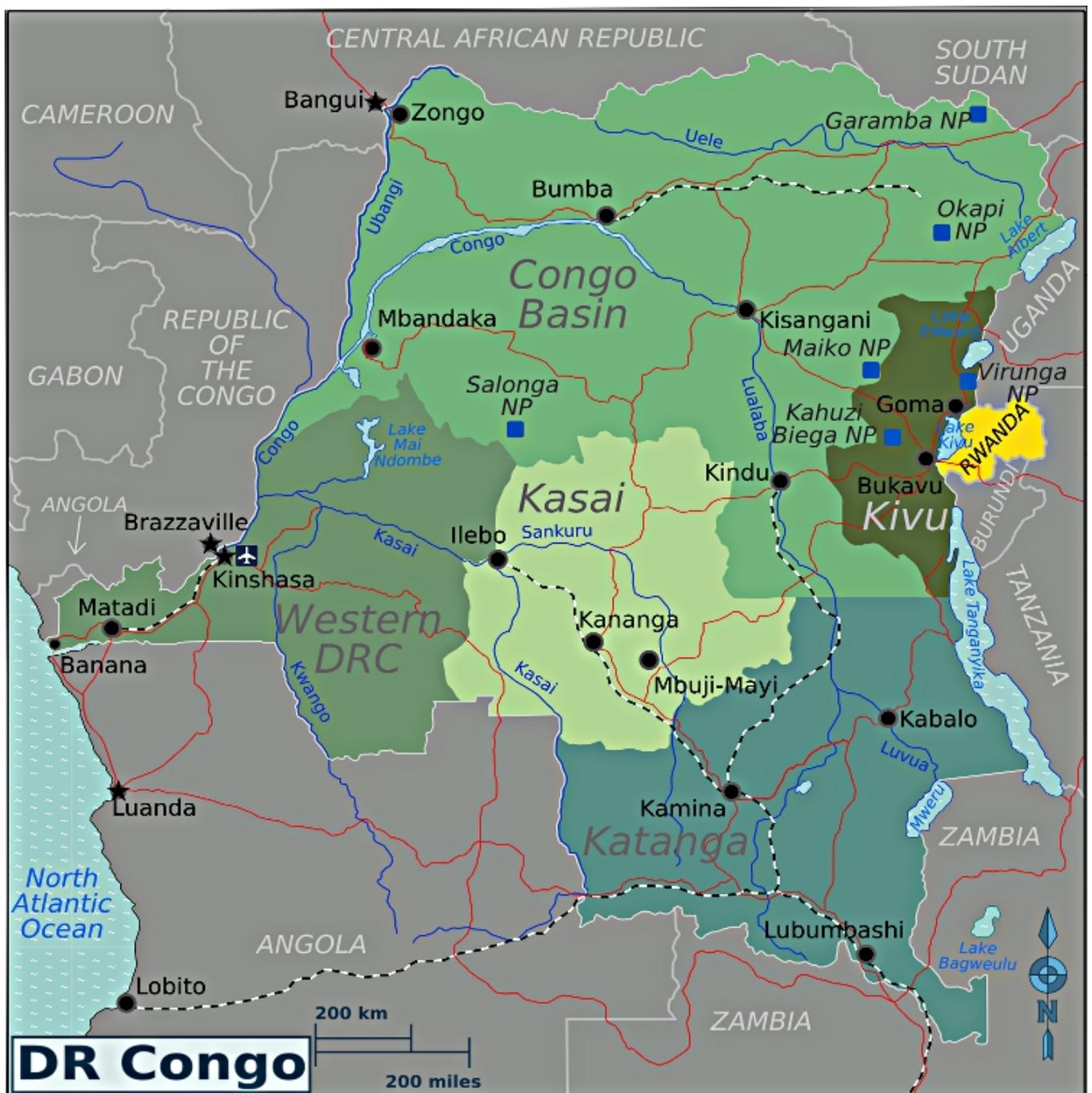
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<sup>13</sup> Béatrice Delvaux, « Jacques de Groote s'explique » (Jacques de Groote justifies his actions), *Le Soir*, 2 January 1991 <http://archives.lesoir.be/jacques-d...>

visit Mobutu at his home in the south of France in August 1986, and went to see him in March 1987 in order to improve relationships between the IMF and the dictator.

Of course, in the Belgian press, de Groote denied any conflict of interest, and declared that he had not received any money from Mobutu.

### Some reflections on de Groote's action in the Congo and Rwanda



The Wall Street Journal's investigation raised some interesting questions; however, it is worth taking the analysis beyond the issue of conflicts of interest. Jacques de Groote's personal trajectory is full of dubious incidents. Why, then, didn't the IMF or the World Bank ever distance themselves from him? Could it be that he actually acted in accordance with the positions of these two institutions? On two occasions, the CADTM asked Belgium's current representative at the World Bank, Gino Alzetta, about J. de Groote's behaviour. The first time was in 2006, when the CADTM learned about the reasons Alain Aboudaram had filed a complaint against de Groote in the United States. The second time was in May 2013, in reaction to the suit brought by the Swiss prosecutors against de Groote and 6 Czech citizens. In both cases, Gino Alzetta said he could not see anything objectionable in J. de Groote's behaviour. Nor has Belgium ever distanced itself from de Groote. Isn't this because he defended some fundamental Belgian interests on the international scene?

To understand this situation better, we must take a closer look at J. de Groote's biography, and compare it to the events that shook the social and political life in the Congo and Rwanda during the same period.

According to his non-official, albeit favourable, online biography,<sup>14</sup> during the first months of 1960 de Groote took part in the Belgo-Congolese Round Table that prepared the independence of the Congo, which was made official on 30 June 1960. Mobutu also took part in the opening of this Round Table conference in Brussels. Between April 1960 and May 1963, de Groote was an advisor to Belgium's Executive Director at the IMF and World Bank in Washington. Between May 1963 and July 1965, he worked in the international relations department of the National Bank of Belgium. June 1960 to 1965 was a period of political turbulence in the Congo. On June 30, 1960 in Brussels in the presence of king Baudouin and the Belgian government, Patrice Lumumba, then Prime minister of the independent Congo, gave a speech that infuriated the Belgian colonial

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<sup>14</sup> <http://www.zoominfo.com/p/Jacques-D...> accessed 9 June 2013

establishment.<sup>15</sup> A few months later, Mobutu, who had become Chief of Defence, put Patrice Lumumba in jail. Lumumba would be assassinated in January 1961 in Katanga province. Mobutu acted in accordance with the interests of Belgium and the United States. On November 24, 1965 Mobutu seized power for good by staging a coup against President Kasavubu. From March 1966 to May 1969, de Groote was an economic advisor to the de facto government of Mobutu, while also working as an advisor at the National Bank of the Congo. He played an active role in the design and implementation of the economic policy of the country as well as in the negotiations between Mobutu, the IMF, the World Bank, and the US government.<sup>16</sup>

The World Bank: A Critical Primer, originally published in 2006,<sup>17</sup> analyses the deal through which Belgium came to an agreement with the World Bank and the Mobutu regime to transfer to the Congo the burden of a debt contracted by Belgium from the World Bank in the 1950s. In violation of the peoples' right to self-determination, the World Bank granted loans to Belgium, France, and the United Kingdom to finance projects in their colonies.<sup>18</sup> As acknowledged by

<sup>15</sup> Read his speech: <http://www.marxists.org/subject/afr...>. See also (in French): <http://www.kongo-kinshasa.de/dokume...>

<sup>16</sup> See: <http://www.zoominfo.com/p/Jacques-D...>, accessed 10 June 2013. "From March 1966 to May 1969 Dr. De Groote acted as Economic Advisor to the Republic of Zaire and Advisor to the Governor of the National Bank of Zaire. He was responsible for Zaire's economic rehabilitation, and for negotiations with the IMF, the World Bank, and the U.S. government. The 1967 program resulted in the only period of growth of the Zairian economy since its Independence (1968-1971), and is cited by the IMF and World Bank as one of the most successful stabilization efforts ever undertaken under their aegis. During this period Dr. De Groote was also in charge of Zaire's negotiations for nationalizing and reactivating Gécamines (the former Union Minière)."

<sup>17</sup> Original edition in French: Eric Toussaint, *Banque mondiale : le Coup d'État permanent. L'Agenda caché du Consensus de Washington*, co-edition CADTM / Syllepse / CETIM, Liège/Paris/Genève, 2006, 310 pages. <http://cadtm.org/Banque-mondiale-le...>  
Editions in English:

-World Bank: a never-ending coup d'Etat, VAK (Mumbai-India), 2007.

-The World Bank: A Critical Primer, Pluto Press, London, Michigan, Toronto, Cape Town.  
Editions in Spanish: -Banco mundial: el golpe de estado permanente Editorial Viejo Topo (Barcelona), 2007; Editorial Abya-Yala (Quito), 2007; Editorial del CIM, Caracas, 2007; Editorial Observatorio DESC, La Paz, 2007.

A Japanese edition is also available.

<sup>18</sup> The colonies concerned by these loans from the World Bank are: for Belgium, the Belgian Congo, Rwanda and Burundi; for the United Kingdom, East Africa (Kenya, Uganda and what would later become Tanzania), Rhodesia (Zimbabwe and Zambia), as well as

the Bank's historians: "These loans, which served to alleviate the dollar shortages of the European colonial powers, were largely directed to colonial interests, especially mining, either through direct investments or indirect assistance, such as in the development of transport infrastructure related to mining."<sup>19</sup> These loans allowed the colonial powers to increase their domination over the colonized peoples, and to have privileged access to supplies of ores, agriculture products, and fuel. In the case of the Belgian Congo, the millions of dollars lent for projects decided on by the colonial power were almost entirely spent by the colonial administration of the Congo to purchase goods produced in Belgium. The Belgian Congo was "granted" loans totalling \$120 million (in three disbursements), \$105.4 million of which were spent in Belgium.<sup>20</sup> For Patrice Lumumba's government, it was inconceivable to repay this debt to the World Bank since it had been contracted by Belgium for the purpose of exploiting the Belgian Congo.

Things changed in 1965: following Mobutu's military coup, the Congo acknowledged it owed money to the World Bank, whereas this debt was in reality owed by Belgium.

International law is clear on this issue. A similar case occurred in the past and was settled in the Treaty of Versailles. After World War I when Poland was reconstituted as an independent State, it was decided that the debts incurred by Germany to colonize the part of Poland it had subjugated would not have to be repaid by the newly independent State. The Treaty of Versailles of June 28, 1919 stated: "that portion of the debt which, in the opinion of the Reparation Commission, is attributable to the measures taken by the German and

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Nigeria, and the British Guiana in South America; for France, Algeria, Gabon, French West Africa (Mauritania, Senegal, French Sudan- now Mali, Guinea, Ivory Coast, Niger, Upper Volta - now Burkina Faso, and Dahomey - now Benin).

<sup>19</sup> Devesh Kapur, John P. Lewis, Richard Webb, *The World Bank, Its First Half Century*, 1997, Volume 1, p. 687.

<sup>20</sup> The fact that Belgium was the actual recipient of the loans granted to the Belgian Congo can be deduced from a chart published in the fifteenth World Bank annual report. IBRD (World Bank), *Fifteenth Annual Report 1959-1960*, Washington DC, p. 12.

Prussian Governments for the German colonisation of Poland shall be excluded from the apportionment to be made under Article 254.”<sup>21</sup> The Treaty stated that the creditors who had lent money to Germany for projects in the Polish territory could only ask for reimbursement from Germany, but not from Poland. Alexander Nahum Sack, who theorized the concept of odious debt, wrote in his legal treatise in 1927: “When a government incurs debts to subjugate the population of a part of its territory or to colonize it with members of the dominant nationality, etc., these debts are odious to the indigenous population of that part of the territory of the debtor State.”<sup>22</sup> The former applies fully to the loans the Bank extended to Belgium, France, and the UK for the development of their colonies. By transferring to the independent Congo the burden of the debts contracted for the purpose of colonising it, the World Bank and Belgium thus acted in violation of international law.

As indicated above, Jacques de Groote actively participated in the negotiations that took place at the time of the independence of the Congo, and he later advised the government of the dictator Mobutu. The details of his actions remain unknown, but given the responsibilities he had, he is certainly partly responsible for this affair.

It is particularly interesting to consider the 1973-1994 period when de Groote was Belgium’s Executive Director at the IMF.

At the end of the 1970s, Erwin Blumenthal, a senior IMF official, German banker, and former Director of Foreign Affairs at the Bundesbank, made a damning report about Mobutu’s management of Zaire.<sup>23</sup> He warned foreign creditors that they should not expect repayment as long as Mobutu remained in power.

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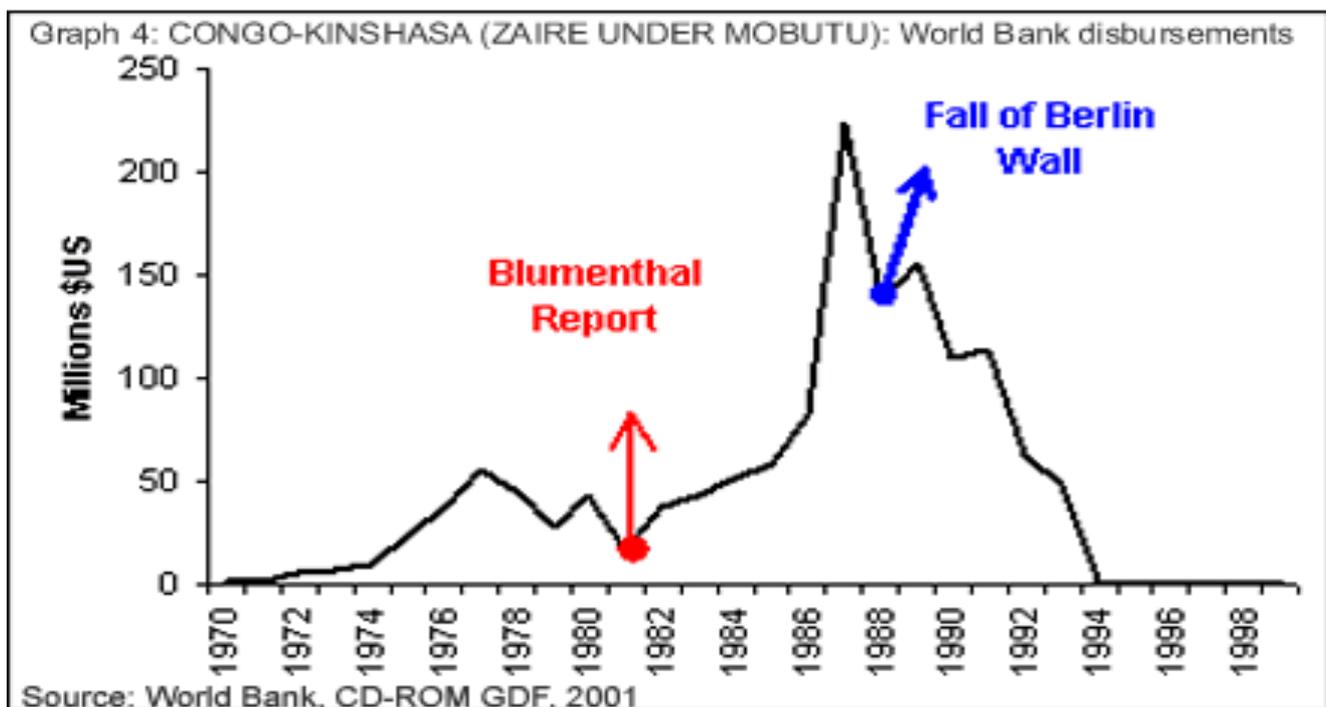
<sup>21</sup> Quoted by Alexander Nahum Sack in *Les Effets des Transformations des États sur leurs Dettes Publiques et Autres Obligations financières*, 1927 Recueil Sirey, Paris, p. 159.

<sup>22</sup> Ibid.

<sup>23</sup> It is worth mentioning that at the height of his power, Mobutu had people call him “*Mobutu Sese Seko Kuku Ngbendu wa Za Banga*” (which means Mobutu the unstoppable warrior who goes from one victory to another).

Between 1965 and 1981, the government of Zaire borrowed about \$5 billion from foreign creditors, and between 1976 and 1981 there were four restructuring programmes authorised by the Paris club concerning part of its external debt amounting to \$2.25 billion (see the figure below on the amount of debt in Congo-Kinshasa during Mobutu’s dictatorship). All of this debt falls into the category of odious debt, and can therefore be considered null and void.

The very poor economic management and systematic embezzlement by Mobutu of part of the loans did not lead the IMF and World Bank to stop their assistance to Mobutu’s dictatorial regime. Strikingly enough, after the Blumenthal report was submitted, the Bank’s disbursements increased (so did the IMF’s disbursements, but they do not show in the chart below).<sup>24</sup> Clearly, the choices made by the World Bank and the IMF are not mainly determined on the basis of sound economic management. Mobutu’s regime remained a strategic ally of the US and other influential powers in the Bretton Woods institutions (e.g., France and Belgium) as long as the Cold War lasted.



<sup>24</sup> The Bank’s historians wrote that in 1982 “Lured by Mobutu’s guile and promise of reform and by pressures from the United States, France, and Belgium, the bank embarked on an ambitious structural adjustment lending program to Zaire” in Devesh Kapur, John P. Lewis, Richard Webb, *The World Bank, Its First Half Century*, 1997 Volume 1: History, p. 702.

From 1989-1991 with the fall of the Berlin Wall, later followed by the crumbling of the Soviet Union, Western powers began to lose interest in Mobutu's regime. All the more so that in many African countries (including Zaire) national conferences were taking place and making democratic claims. The World Bank reduced its lending before stopping its loans altogether in the mid-1990s.

Under Mobutu's rule (1965-1997), the IMF and the World Bank were instruments serving US policy and geostrategy, which rewarded Mobutu for his support in the Cold War.

*"In many cases, the loans were used to corrupt governments during the Cold War. The issue was not whether the money was improving a country's welfare, but whether it was leading to a stable situation, given the geopolitical realities in the world."*

Joseph E. Stiglitz, Chief Economist of the World Bank from 1997 to 1999, Nobel Laureate in Economics in 2001, on a French television show *L'Autre mondialisation (The Other Globalization)*, on Arte, March 7, 2000

Therefore, the IMF and the WB, where de Groote was a senior official, became complicit in the abuses committed by the Mobutu regime against human, economic, social, and cultural rights inasmuch as they maintained their support for the dictatorial system, which did not at all honour its financial obligations.

*"The issue of the moral responsibility of the creditors was particularly apparent in the case of Cold War loans. When the IMF and the World Bank lent money to the Democratic Republic of the Congo's notorious ruler Mobutu, they knew (or should have known) that most of the money would not go to help that country's poor people, but rather would be used to enrich Mobutu. It was money paid to ensure that this corrupt leader would keep his country aligned with the West. To many, it doesn't seem fair for ordinary taxpayers in countries with*

*corrupt governments to have to repay loans that were made to leaders who did not represent them."*

Joseph Stiglitz, *Globalization and Its Discontents*, 2002

Mobutu and his clan used the State coffers as a steady and plentiful source of personal enrichment with three different kinds of misappropriation: legal, illegal, and mysterious expenditures. The legal ones, such as the presidential endowment was allocated without any control. The illegal expenditures are described in the Blumenthal report (this secret report was made public in 1982),<sup>25</sup> which indicates that it was impossible to control the State's financial transactions since the presidential office hardly made a distinction between personal expenses and public spending. Erwin Blumenthal identified at least seven bank accounts held abroad that were used to channel money directly to Mobutu's personal bank accounts or to corrupt political figures. Erwin Blumenthal's message was clear: "The corruptive system in Zaire with all its wicked and ugly manifestations, its mismanagement and fraud will destroy all endeavours of international institutions, of friendly governments and of the commercial banks towards recovery and rehabilitation of Zaire's economy. Sure, there will be new promises by Mobutu, [...] but no (repeat: no) prospect for Zaire's creditors to get their money back in any foreseeable future."<sup>26</sup>

Since 1979, the main lenders to Mobutu's regime, closely connected to the IMF, had known and been aware of these fraudulent practices, and of the risk they were taking by continuing to lend to Mobutu.

As indicated in this report, the third category of embezzlement consisted of "mysterious expenditures." One of the State's largest budget items (accounting for 18% according to a 1989 World Bank study) was "other goods and services," a hotchpotch with little

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<sup>25</sup> In 1978, the IMF sent Erwin Blumenthal to the Central Bank of Zaire to improve its operations. In July 1979, he resigned after receiving death threats from those close to Mobutu.

<sup>26</sup> Erwin Blumenthal, *Zaire: Report on her Financial Credibility*, 7 April 1982, typescript, p.19.

information on how the expenditures were allocated. According to World Bank experts, most of the money was used for extravagant expenditures as well as to purchase military equipment. This shows that the World Bank was also well aware of the illegal use made of the loans it was granting.

By the mid-1970s, it was clear that the money injected into Zaire in the form of loans or grants was systematically misappropriated. They were either directly transferred to personal bank accounts held abroad<sup>27</sup> or invested in prestigious, inadequate, and/or useless projects that helped many people to get richer, but certainly did not help the sustainable industrialisation of the economy. For instance, according to the Office of ill-gotten gains (Office des biens mal acquis, OBMA), which was created at the National Conference, Mobutu supposedly pocketed a 7% commission on the value of the Inga hydroelectric plant. The investigation could not be pursued to its conclusion because of resistance from official circles.<sup>28</sup>

J. de Groote actively supported Mobutu's regime and intervened several times to improve the relationships between the IMF, the World Bank, and Mobutu, although he was very well placed to know in detail what Blumenthal denounced in his report. He also knew about the serious violations of human rights committed by the Mobutu regime.

Yet in 1994, at the end of his term, de Groote said he was satisfied with his action vis-à-vis Congo-Kinshasa, while the vast majority of the Congolese people lived in great misery, the persecutions and assassinations of opponents were rife, and the economy was devastated.

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<sup>27</sup> Mobutu even managed to intercept money before it actually reached the public coffers, as happened for instance with the \$5 million granted by Saudi Arabia in 1977 (Emmanuel Dunga, *Mobutu et l'argent du Zaïre (Mobutu and the money of Zaire)*, 1992, L'Harmattan, p.157).

<sup>28</sup> Steve Askin and Carole Collins, "External Collusion with Kleptocracy: Can Zaire Recapture its Stolen Wealth?" in *African Political Economy*, 1993, n° 57, p.77

## Progression of debt in Congo-Kinshasa during Mobutu's dictatorship

From 1965 to 1969, Congo-Kinshasa's foreign debt stock<sup>29</sup> rose from \$32 million<sup>30</sup> to \$159 million (US dollars). The first major jump occurred in 1970, when in a single year, the debt stock doubled, increasing by \$180 million. It jumped again in 1973, when the price of copper and other raw materials skyrocketed on international markets. With significant budget resources and reserve currency, the regime could borrow massively. This was the heyday of costly major projects or white elephants, which would only become profitable in the distant future. Up until 1979, on average its debt stock increased by nearly \$700 million per year and was mostly in the private sector. The recurrent problem during this period is the fact that these sums were used for investments that would only generate returns in a distant and very uncertain future.

Sectors like energy, transportation, and communications, as well as public works, are indispensable for the development of a country, because they are required in order to develop productive activities. However, these projects were not based on sound economic principles, either in terms of expertise or in terms of how they were financed and executed.

For example, Zairian stakeholders, and in particular the Zairian State requested and obtained from financial institutions (especially private ones) expensive short- and medium-term commercial loans to fund projects that would only be profitable at best in the very long term.

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<sup>29</sup> L'ENTREPRENEUR. 1980. « Le lancinant problème de la dette extérieure du Zaïre » (*The problem of Zaire's persistent external debt*), n°11, December 1980, p. 44-47

<sup>30</sup> These \$32 million correspond to the debt that Belgium and the World Bank imposed on the Congo with the complicity of Mobutu's regime. As stated above, during the 1950s Belgium borrowed \$120 million from the World Bank to develop its colonial projects in the Belgian Congo. Belgium had only repaid part of this loan before the Congo gained its independence on 30 June 1960. The remaining amount (\$32 million) was passed on to the Congo when Mobutu established his dictatorship in 1965.

Such infrastructure investments should instead be funded by low-interest, fixed rate, very long-term loans. This type of borrowing only really exists between States, which offer each other privileged conditions.

Neither the debtor, nor the creditor demonstrated adequate financial discipline, according to which loan conditions should coincide with the characteristics of a project. For example, in the case of the Inga dam, which was supposed to produce electricity for all of Zaire and its neighbouring countries, the funding came from a medium-term commercial loan. However, it took nearly ten years to build the dam, and it could have been calculated that it would only become profitable twenty or thirty years later. As a result, the original loan could only be paid back by taking on more debt.

The situation gradually became unbearable and Zaire could no longer make the payments due on this loan. In addition to the poor choice made in terms of the kind of loan, there was an increase in the price of oil and a decrease in the price of copper. Pressure mounted when Zaire decided to stop making payments on its loan. The IMF intervened and signed the first stabilisation programme with Zaire, which included the usual IMF conditionalities such as a currency devaluation, public spending cuts, and guarantees that Zaire would continue repaying its debt.<sup>31</sup> Zaire's creditors allowed it to defer its loan payments, and also to reschedule its overall debt. Between 1976 and 1981, Zaire's debt was renegotiated four times by the Paris Club corresponding to a total amount of \$2.25 billion (US),<sup>32</sup> and between 1976 and 1983 Zaire signed three structural adjustment agreements with the IMF. In 1983, its debt was renegotiated for the fifth time, and \$1,490 billion of it were rescheduled.

It is interesting to observe how generous the IMF was at this time with regard to this country, which was such a bad payer and was not respecting IMF conditionalities.

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<sup>31</sup> HAYNES, J., PARFITT, T. and RILEY, S. 1986. "Debt in Sub-Saharan Africa: The local politics of stabilisation," *African Affairs*, July 1986, p.346.

<sup>32</sup> Paris Club website: [www.clubdeparis.org](http://www.clubdeparis.org)

Between 1979 and 1984, Zaire's debt stock increased only slightly, as Zaire attempted to meet its debt obligations. During this period of time, the net financial transfer was barely positive. On the whole, the disbursements paid to Zaire by its creditors were mainly used to service its debt.



Between 1984 and 1990, Zaire's debt stock increased by 70% (based on constant prices). Meanwhile from 1982 to 1988, it received loans from the IMF (\$600 million), the World Bank (\$650 million), and Western governments (\$3 billion), but commercial banks refused to continue lending it money. During this same period, despite the warnings of an IMF representative, Erwin Blumenthal, Zaire was held up as a model student of the IMF.<sup>33</sup> This

foreign complacency can only be justified on the basis of political and geo-strategical considerations. For example, despite warnings from the United States' ambassador on how difficult it would be to control the allocation of the foreign aid disbursed, Mobutu's regime was given full support by the US government, and President Ronald Reagan requested that military aid be doubled to thank Mobutu for having supported US troops in Chad.<sup>34</sup> In 1987, under pressure from the United States, the IMF approved a structural adjustment loan despite the strong objections made by senior IMF officials. At that very time, Mobutu was allowing American troops to use its territory and military bases to engage in military operations in Angola.<sup>35</sup>

Before 1986, the money borrowed was mainly used to repay the debt so there was little chance of using it for investments. The total investment budget was estimated to be around \$65 million in 1985, and it was subsequently cut to \$40 million. Later, when investment

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<sup>33</sup> Ibid, p. 347

<sup>34</sup> NDIKUMANA, Leonce and BOYCE, James. 1997. *Congo's Odious Debt: External borrowing and Capital Flight*, Department of Economics, University of Massachusetts.

<sup>35</sup> Ibid, p.17

projects regained in popularity, Zaire's debt stock increased considerably.

As of 1990, Mobutu's regime became isolated on the international scene. The fall of the Berlin Wall marked the end of the cold war, and there was not as much interest in having Mobutu as an ally. As of this moment, the flow of disbursements to his regime dried up, and the net transfer to Zaire became negative starting in 1990, as stated in a World Bank report (1996).<sup>36</sup> According to the same report, in 1994, Zaire paid \$201 million more than it received from international financial institutions. In 1991, the IMF broke off its relations with Zaire, and the World Bank would follow suit in 1993. With no new foreign disbursements, Zaire no longer had enough cash to service its debt, and had to suspend its repayments in 1994. The interest and penalties accrued, which increased the debt stock significantly.

All of this debt can be considered to be odious debt, because it was contracted by the dictator Mobutu, and as such it should have been entirely cancelled when Mobutu's regime collapsed.

## **Jacques de Groote and Rwanda**

J. de Groote was also involved in WB and IMF activities in Rwanda.

In the already cited interview published by *Le Soir*, Béatrice Delvaux asks him, "What about the case of the letter to the Rwandan President Habyarimana, in which you mention and support the IMF's idea that a devaluation would be necessary?" Jacques de Groote responded: "At the beginning of the 1980s, this country had not given its support to the African Executive Director when the Council was created. He had asked me to represent it. After having been authorised by the different

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<sup>36</sup> Ibid, p.18

countries I represent, I checked with the IMF and World Bank services for Rwanda. I noticed an anomaly according to which the Rwandan franc was pegged to the dollar, which had resulted in a 35% appreciation of their franc, as I explained to the President. I had to draw his attention to these facts, since I was supposed to be watching out for his interests. There are very few cases in which the IMF has taken such a clear position.”<sup>37</sup>

In January 1991, the journalist Colette Braeckman published an important article in *Le Soir* on J. de Groote’s activities in Rwanda. Here is a very enlightening excerpt: “A major employer in Rwanda, the director of Somirwa [a mining company owned 51% by baron van den Branden’s Géomines entity], Mr van den Branden, lobbied President Habyarimana relentlessly so that he would agree to ask for major international loans. [...] While the situation was at a stand-off between Rwandan authorities and Somirwa, Mr de Groote, who is considered to be an expert, was asked to step in. He was trusted by the Rwandan authorities, a friend of Mr van den Branden, and he regularly travelled to Washington and boasted about his American connections to anyone willing to listen.

Mr de Groote’s verdict was clear: he recommended a devaluation of the Rwandan franc, and pleaded in favour of bailing out the company. In this way, he followed the doctrine of his organisation: Mr de Groote was against overvaluing the Rwandan franc, and betting on exports from the mining sector. The verdict rendered by the “arbitrator” was therefore favourable to Somirwa, even if it was inspired by standard IMF criteria.

The Wall Street Journal has revealed “that at that time Mr de Groote borrowed money from Nagelmaekers bank, which is directed by the same Mr van den Branden, and that he was living in a house in

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<sup>37</sup> See [http://archives.lesoir.be/jacques-de-groote-s-explique-les-opposants-zairois-recl\\_t-19910102-Z03GA7.html](http://archives.lesoir.be/jacques-de-groote-s-explique-les-opposants-zairois-recl_t-19910102-Z03GA7.html)

Georgetown indirectly financed by van den Branden, which the American paper sees as a prime example of a ‘conflict of interest.’”<sup>38</sup>

It is critical to reassess the disastrous actions undertaken by the World Bank and the IMF in Rwanda.

## **A look back at the 1994 genocide**

Starting on 7 April 1994, in less than three months, nearly one million Rwandans – the exact figure has not yet been determined - were exterminated because they were (or supposed to be) Tutsis. Tens of thousands of moderate Hutus were also slaughtered. This was indeed a genocide, that is, the deliberate destruction of an entire community through mass murder in the aim of preventing their biological and social reproduction.

In this context, it is crucial to investigate the role played by international financial institutions. Everything we know leads us to believe that the policies imposed by these institutions, the main financial backers of General Juvénal Habyarimana’s dictatorial regime accelerated the process resulting in the genocide. In general, the negative impact of these policies is not taken into consideration to explain the tragic unfolding of the Rwandan crisis. Only a few authors highlight the responsibilities of the Bretton Woods institutions,<sup>39</sup> which have rejected any kind of responsibility.

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<sup>38</sup> Colette Braeckman, « Affaire de Groote-FMI : la SOMIRWA au Rwanda, un cas éclairant » (The de Groote-IMF affair: the SOMIRWA in Rwanda, an enlightening case), *Le Soir*, 7 January 1991, [http://archives.lesoir.be/affaire-de-groote-fmi-la-somirwa-au-rwanda-un-cas-eclair\\_t-19910107-Z03GPE.html](http://archives.lesoir.be/affaire-de-groote-fmi-la-somirwa-au-rwanda-un-cas-eclair_t-19910107-Z03GPE.html).

<sup>39</sup> Chossudovsky, Michel et al. 1995. « Rwanda, Somalie, ex Yougoslavie : conflits armés, génocide économique et responsabilités des institutions de Bretton Woods » (Rwanda, Somalia, ex-Yugoslavia: armed conflicts, economic genocide, and the responsibility of Bretton Woods institutions); Chossudovsky, Michel and Galand, Pierre, « Le Génocide de 1994, L’usage de la dette extérieure du Rwanda (1990-1994). La responsabilité des bailleurs de fonds » (The Genocide of 1994. The use of Rwanda’s external debt (1990-1994). The responsibility of financial institutions), Ottawa and Brussels, 1996. See also: Duterme, Renaud *Rwanda : une histoire volée (Rwanda: a stolen history)*, Co-edition Tribord and CADTM, 2013 <http://cadtm.org/Rwanda-une-histoire-volee-Dette-et>

At the beginning of the 1980s, when the debt crisis exploded in the Third World, Rwanda (like its neighbour Burundi) had very little debt. Whereas in other parts of the world, the World Bank and IMF were abandoning their go-go loan policy and preaching abstinence, they adopted a very different attitude with respect to Rwanda to which they granted major loans. Between 1976 and 1994, there was a twenty-fold increase in Rwanda's external debt. In 1976, it amounted to \$49 million, while it was nearly \$1 billion in 1994, increasing especially rapidly as of 1982. Its principal creditors were the IFIs or International Financial Institutions — the World Bank, the IMF, and similar institutions, and the WB and the IMF played the most active role in this debt process. In 1995, IFIs held 84% of Rwanda's external debt.

The dictatorship in place since 1973 guaranteed that there would be no progressive structural changes in the country. That explains why it was actively supported by Western powers such as Belgium, France, and Switzerland. In addition, it could be a rampart against the countries in the region that were still mulling over thoughts of independence and progressive change (for instance, neighbouring Tanzania where there was the progressive President Julius Nyerere, one of the African leaders in the Non-Aligned Movement).

Throughout the 1980s and up until 1994, Rwanda received many loans, but the dictator Habyarimana embezzled much of them. The loans granted were supposed to be used to better integrate Rwanda's economy into the world economy by developing its capacities to export coffee, tea, and tin (its three main export products), which was detrimental to the crops cultivated there to satisfy local needs. This model worked until the middle of the 1980s, when the price of tin, then that of coffee, and finally tea, collapsed. Rwanda, for which coffee was the main source of hard currency, was hit hard by the breaking up of the coffee cartel at the beginning of the 1990s by the United States.

## Using international loans to prepare for the genocide

Only a few weeks before the Patriotic Front of Rwanda launched its offensive in October 1990, the government of Rwanda signed an agreement with the IMF and the WB in Washington to implement structural adjustment measures.

When they were implemented in November 1990, the Rwandan currency dropped by 67%. By way of compensation, the IMF granted strong currency loans for quick disbursement so that the country could keep importing goods. The funds were used to artificially improve the balance of payments. The prices of imported goods skyrocketed: for instance, the price of petrol went up by 79%. Selling imported goods on the domestic market made it possible for the government to pay the army's wages, and the number of recruits increased in staggering proportions. The structural adjustment measures included a decrease in public spending, wages were frozen, and there were massive layoffs in the civil service, but part of the savings were used for the army.

Whereas the prices of imported goods increased, the price at which producers could sell coffee was frozen, as imposed by the IMF. As a result, hundreds of thousands of small coffee producers went bankrupt,<sup>40</sup> and together with the most deprived layers of city dwellers they became a permanent supply of soldiers for Interahamwe and army recruiters.

The following measures were among the ones the WB and IMF imposed in Rwanda: an increase in consumption taxes and a decrease in corporate taxes, an increase in direct taxes on low-income families through a reduction of fiscal advantages for large families, and restrictions on credit facilities to farmers.

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<sup>40</sup> MATON, Jef. 1994. *Développement économique et social au Rwanda entre 1980 et 1993. Le dixième décile en face de l'apocalypse. (Economic and Social Development in Rwanda between 1980 and 1999.)*

To account for its use of loans from the IMF/WB, Rwanda was allowed to submit old invoices for imported goods. This practice made it possible for the government to pay for the massive purchase of weapons intended for the genocide. Military expenses increased three-fold between 1990 and 1992.<sup>41</sup> Over this period of time, the WB and the IMF sent out several missions of experts, who highlighted the positive consequences of the austerity policies enforced by Habyarimana, yet threatened to discontinue payments if military expenses increased further. The Rwandan government then used various ploys to conceal military expenses: Lorries bought for the army were accounted for in the budget of the transport ministry, a significant portion of the petrol used in the army or militia vehicles was part of the budget for the ministry of health. The WB and the IMF eventually stopped providing financial support in early 1993, but they did not expose the existence of bank accounts the Rwandan government had in foreign banks on which there were substantial amounts of money still available to buy more weapons. It can be said that they failed in their duty to control the use of the funds loaned. They should have stopped their loans in early 1992 when they learned the money was being used to buy weapons. They should have warned the UN at once. As they went on supplying support until 1993, they helped a government that was preparing a genocide. As early as 1991, human rights organisations had tried to draw international attention to the massacres that paved the way for the genocide. The World Bank and the IMF systematically supported a dictatorial regime, with the help of the US, France, and Belgium.

## **Exacerbated social contradictions**

For the genocidal project to be achieved, more than just a government was needed to devise it and acquire the necessary tools; the people

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<sup>41</sup> Nduhungirehe, Marie-Chantal. 1995. *Les Programmes d'ajustement structurel. Spécificité et application au cas du Rwanda. (Structural Adjustment Programmes: Specificities and Application to the Case of Rwanda.)*

also had to be impoverished and driven to a level of desperation at which they were ready to do anything. 90% of the population in Rwanda was living in the countryside, and 20% of farm families owned an acre or less. From 1982 to 1994, most of the farming population fell into poverty, while a few others at the other end of the social spectrum were accumulating a huge amount of wealth. Professor Jef Maton states that in 1982 the richest 10% of the population made 20% of rural income; in 1992 they had grabbed 41%, in 1993 45%, and in early 1994 51%.<sup>42</sup> The disastrous social consequences of the IMF and WB enforced policies combined with the plummeting price of coffee (itself a consequence of policies applied by the Bretton Woods institutions, and the US doing away with the cartel of coffee producers at that time) played a key role in the Rwanda crisis. Habyarimana's regime exploited the widespread social discontent to carry out the genocide.

It is important to analyse Jacques de Groote's action in this general context, for, as he himself claimed, before the genocide he had actively supported Habyarimana's regime.

Now that we have examined the social and historical context in which de Groote's action in Africa can be understood from the 1960s to the end of his mandate as executive director of the IMF in 1994, it is time to go back to Europe.

## **The World Bank serving the interests of major private Belgian corporations**

The World Bank's official documents have nothing to say about this subject; however, in some specialised journals written for corporate directors there are precise indications of the advantages offered to private companies by the Bank's activities. The excerpt below speaks for itself. It was pronounced by Jacques de Groote in a speech given in 1986 to a group of Belgian company presidents, and then published

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<sup>42</sup> MATON, Jef. 1994. Ibid.

in the Bulletin de la Fédération des Entreprises de Belgique (Newsletter of the Federation of Belgian Companies). “The advantages Belgium derives from its participation in the activities of the Group’s institutions— as do all World Bank member countries – can be measured in terms of flow back, that is to say the relationship between, on the one hand, the total amount of disbursements made by the IDA (International Development Association, which is part of the World Bank Group) or the World Bank in favour of a country’s companies, when these companies sign contracts, and, on the other hand, the contributions of this country to the Bank’s capital, as well as to the IDA’s resources. Flow back is thus the relationship between what the companies obtain via the sales of equipment or consulting services and what Belgium provides as a contribution to the IDA’s resources and to the Bank’s capital. The flow back from the World Bank toward industrialised countries is significant, and has continually increased: for all industrialised countries, it has increased from 7 to 10 from the end of 1980 to the end of 1984. In other words, for one dollar put into the system, the industrialised countries got back \$7 in 1980 and receive \$10.5 today.”<sup>43</sup>

## **After the end of his term at the IMF and World Bank**

In his interview with Béatrice Delvaux from Le Soir in March 1994, at the end of his term at the IMF, de Groote congratulated himself on the role he had played in the decision made by Belgium to adopt the neoliberal agenda in the 1980s.

Béatrice Delvaux: “You did, however, from Washington play a major role in the orientation of Belgian economic policy. You provided a guarantee from the IMF for the economic shift at the beginning of the 1980s, in close relationship with the ‘Poupehan’ group?”<sup>44</sup> J. de

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<sup>43</sup> FEB, 1986, p. 496-497.

<sup>44</sup> The Poupehan group was a lobby made up of the main conservative political leaders in the Belgian Christian Social Party, who played a key role in the neoliberal shift. See [http://archives.lesoir.be/les-fantomes-de-poupehan-liberaux-et-fdf-veulent-enquet\\_t-19910917-Z04EPV.html](http://archives.lesoir.be/les-fantomes-de-poupehan-liberaux-et-fdf-veulent-enquet_t-19910917-Z04EPV.html)

Groote's response: "Absolutely, and I'm extremely proud of this. I am even extremely satisfied. At that time, we completed studies that enabled the major economic policy options to be defined for Belgium, which were then discussed with Alfons Verplaetse,<sup>45</sup> and other figures including Wilfried Martens."<sup>46</sup>

These statements provide a good illustration of the close relationships between figures like de Groote and the key political leaders in a particular country. De Groote acknowledged, moreover, that the independence of the Belgian National Bank was only for the form, because Belgian (monetary) policy was defined in a very small, secretive circle bringing together key stakeholders, ranging from the Prime Minister to the Governor of the National Bank, and including the head of the Christian Unions and representatives of corporate management, all in cahoots with the IMF.

## **Jacques de Groote and Latin America**

In the same interview that appeared in *Le Soir* at the end of March 1994, de Groote rejoices over the so-called successes of the IMF and World Bank in Latin America, in general, and Mexico, in particular: "There are countless examples of success. The typical case is that of Mexico. In October 1982, this country was in the middle of a serious debt crisis, but the joint actions of the IMF and WB enabled it to adapt rapidly, its balance of payments was rebalanced with only a limited and short-term decrease in the income of the Mexican people. Today, capital is flowing back to Mexico, and the World Bank is managing a programme there intended to diversify production."

The ink on the paper had not yet dried when reality completely contradicted de Groote's optimistic statements: capital started fleeing

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<sup>45</sup> Alfons Verplaetse was the Governor of the National Bank of Belgium, and a member of the Flemish Christian Social Party.

<sup>46</sup> Wilfried Martens, the Christian Social Prime Minister who put in place neoliberal policies in alliance with the Liberal Party.

from Mexico massively, and in December 1994 this flight of capital triggered the “tequila” crisis, which has resulted in the serious and long-term decline of the Mexican economy.

## Jacques de Groote and Eastern Europe



During the last years of his term at the World Bank and IMF, de Groote was particularly active in setting up shock doctrine policies in the countries that had just left the Soviet bloc. This was the case in Czechoslovakia until the creation of the Czech Republic and Slovakia in 1993, both of which were members of the group presided over by Belgium at the IMF and World Bank. The peoples in Eastern European countries suffered a great deal from the austerity measures and privatisations imposed on their countries by these international institutions. The privatisations enabled an oligarchy of corrupt new rich people to obtain exorbitant power and accumulate outlandish wealth to the detriment of the public good. We might say that Jacques de Groote has come full circle. He has now been condemned for “aggravated money laundering,” “fraud”, and “document forgery” in the fraudulent privatisation of the MUS mine in the Czech Republic.

According to the Czech press agency, CTK, the Czech government was an accomplice in the misappropriation of public goods, selling-off the company’s shares for 20% of their real value.<sup>47</sup> The current neoliberal President of the Czech Republic, Miloš Zeman, was the Prime Minister when the privatization took place, and has always contended that the sale of the MUS mine was in no way harmful to State interests.<sup>48</sup> Consequently, the Czech government never

<sup>47</sup> See <http://praguemonitor.com/2013/07/08/verdict-mus-fraud-case-be-delivered-october>

prosecuted those responsible for the fraud. If the Swiss justice system had not acted, the defendants would not have been worried.

## Jacques de Groote and private banks

It has already been mentioned in the framework of the recent trial in Switzerland that the Crédit Suisse bank has been cited by several press agencies for having assisted various companies that are directly linked to the organisers and beneficiaries of the fraudulent privatisation of the MUS mine. Unfortunately, we were not able to consult the bill of indictment, and consequently do not know the list of financial companies that are directly involved in the fraud, document forgery, and money laundering activities.

Without making any assumptions about the role it may have played in this affair, it would perhaps be useful to mention the existence of the CELIFF, a financial company founded in 2001 in the Grand Duchy of Luxembourg by Dexia Asset Management Luxembourg. Its Board of Directors included Jacques de Groote, the President of the APPIAN GROUP, and two Czech citizens prosecuted in 2013 by the Swiss justice: Jiri Divis, Vice Chairman of the Board of Directors of APPIAN GROUP EUROPE S.A., and Marek Cmejla, Vice Chairman of the Board of Directors and Deputy Chief Executive Officer of NEWTON HOLDING A.S., who live in Prague in the Czech Republic. Other members of the Board include Adrien de Merode, Director of APPIAN GROUP EUROPE. The 4 remaining directors were all from the Dexia Group: 1 from Luxembourg, 1 from Switzerland, and 2 from France.<sup>49</sup>

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<sup>48</sup> See [Anna Kubišta](#), « Scandale de la privatisation de la société minière de Most : le procès s'ouvre en Suisse » (The MUS mine privatisation scandal trial begins in Switzerland), <http://www.radio.cz/fr/rubrique/faits/scandale-de-la-privatisation-de-la-societe-miniere-de-most-le-proces-souvre-en-suisse> 13 May 2013 (in French only).

<sup>49</sup> See **CELIFF MANAGEMENT CORPORATION S.A., Société Anonyme Holding**. Registered office: L-1150 Luxembourg, 283, route d'Arlon. Published in the *Journal Officiel du Grand-Duché de Luxembourg*, RECUEIL DES SOCIETES ET ASSOCIATIONS, C — N° 723 5 September 2001 <http://www.etat.lu/memorial/2001/C/Pdf/c0723059.pdf>

## **Conclusion**

Beyond the zigzags of his own personal trajectory, Jacques de Groot symbolises the profoundly disastrous aspects of the inhumane policies methodically applied by the World Bank, the IMF, and the elites who govern our planet with only maximum profit in mind. It is truly revolting to see how greed and the violation of fundamental human rights are so cleverly packaged.

## **EPILOGUE**

### **The world of Jacques de Groot**

Beyond the specific case of Jacques de Groot, this trial must be the occasion to highlight the extent to which IMF and WB activities have been detrimental to the general interest. It is regrettable that the Swiss courts opted not to question these institutions, preferring instead to prosecute individuals. However, that must not prevent us from seeing that beyond these individuals, there is a system and its institutions turning a blind eye to these activities and even encouraging them to act in this way.

It is important to realize that what happened in the Czech Republic when the MUS mine was privatised has occurred many times in recent decades, in former Eastern bloc countries and “developing” countries, as well as today in Greece, Portugal, Cyprus, and elsewhere. In almost every case, local government leaders have been in collusion, enabling a handful of individuals and private companies to gain benefits from these privatisations to the detriment of the common good. These privatisations have also occurred in the most highly industrialised countries such as Germany, France, the United Kingdom, Japan, the United States, and Belgium in which, up until now IMF and World Bank interventions have not been necessary, since the decisions have been made directly by government leaders working hand-in-hand with major corporations.

It should be emphasised that the misappropriation of public funds requires the active participation of major banks. In the case of the MUS mine, the Credit Suisse (one of the principal Swiss banks) was involved but has never been directly accused.

## The particular case of Jacques de Groot

As this court case has shown, Jacques de Groot clearly took an active part in initiating privatisations that were detrimental to most people, and very lucrative for a handful of individuals who have enriched themselves at the expense of the community.

If we are to believe the head of CAASA, Alain Aboudaram, Jacques de Groot received important payments from this Swiss company for services rendered. This money did not concern the MUS mine, but was related to activities in the Czech Republic. In a letter received by the CADTM on 19 June 2013, Alain Aboudaram claims to have paid \$1.2 million to Jacques de Groot, while de Groot was still in office, as Executive Director to the IMF, from 1992 to 1994.<sup>50</sup>

Here is an excerpt from that letter: “Using his contacts while he was Executive Director to the IMF up to 1994, he helped me, through my company, to meet Czech business directors. In 1992, I met the president of Skodaexport, a company specializing in industrial projects and infrastructure. My company completed several projects with Skodaexport, two of which were helped by Mr de Groot’s Czech business relationships. One was the construction and laying of a pipeline in India, between Kandla and Bathinda, fully financed by the government of India, and the other was the renegotiation of the fiscal arrears of Skodaexport with the ministry of finance.”<sup>51</sup> Alain Aboudaram goes on to mention the amounts concerned: “From 1992 to 1994, Mr de Groot received consultancy fees amounting to some \$1,292,902 from my company. At the end of 1996, the total amount

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<sup>50</sup> The full case may be consulted at: Conseil Alain Aboudaram, S.A. v. De Groot, UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA, June 7, 2004, CONSEIL ALAIN ABOUDARAM, S.A., PLAINTIFF, v. JACQUES DE GROOTE, DEFENDANT. [http://dc.findacase.com/research/wfrmDocViewer.aspx/xq/fac.20040607\\_0000359.DDC.htm/qx](http://dc.findacase.com/research/wfrmDocViewer.aspx/xq/fac.20040607_0000359.DDC.htm/qx)

<sup>51</sup> In another part of his letter A. Aboudaram says: “I would like a distinction to be made between the society Skodaexport with which I did business at that time and Skoda (manufacturer of automobiles and locomotives etc.) which is today involved in the procedure at Bellinzone, these are, in spite of the similarity in their names, two completely different entities.”

was \$1,611,537. At this moment our professional collaboration ended, and no financial ties now exist between us.”

Alain Aboudaram describes how the payments were made: “Mr de Groote’s fees were usually settled by remittances to different people or legal entities with which he had, in the past, contracted debts. In this way, from the end of 1992 up to 31 December 1994, I settled his fees by paying his debts, some of which were due since 1980, to the Banque Belgoise, the bank Nagelmakers, the Banque de Cr dit Hypoth caire in Anvers, amongst others, and to other individuals.”

Alain Aboudaram adds that after having put an end to this “professional collaboration” (Mr Aboudaram’s own words), he maintained personal relations with Mr de Groote: “In 1998, I personally and informally lent him money to settle the mortgage on his house in Washington. I continued to help him until the end of 2000. On 31 December 2000, he owed me \$421,584. Seeking repayment was very complicated and, finally, in 2002 when I initiated US legal proceedings, Mr de Groote sought protection under the famous chapter 11 (bankruptcy laws) so as to be protected from his creditors.”

In this book, we have referred to judgements made by a US court in the case brought by Aboudaram against de Groote. In his letter, Aboudaram seeks to clarify why his claim was rejected:<sup>52</sup> “The reason Mr de Groote won this case was purely technical. The loans I made to Mr de Groote were personal loans. The promissory notes that he signed recognizing his debt in my favor were in the name of my firm Conseil Alain Aboudaram. I transferred them to my firm at the beginning of the trial. The judge ruled that my firm and I were not the same entity, and so rejected my plea not on the fact that de Groote was not my debtor, which was confirmed by a popular jury, but on the technical impossibility to use these promissory notes for settlement of the debt.”

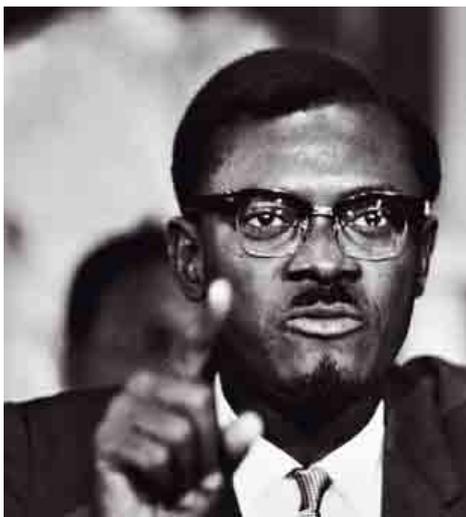
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<sup>52</sup> See the appeal judgement: <http://law.justia.com/cases/federal/appellate-courts/F3/460/46/580705/>

Finally, Alain Aboudaram dissociated the legal wrangle in Switzerland from the relationship he had with Jacques de Groot: “To this day, in respect of confidentiality and anonymity, I have never refuted the remarks made by Mr de Groot. If I do so today, it is to avoid any confusion that may be made between our professional relationship between 1992 and 1996, the legal trial opposing us from 2002 to 2006 concerning a personal loan that has not been repaid, and what is currently happening in Bellinzona, where he is in the dock with five other persons accused of money laundering, mismanagement and fraud, and corruption and aggravated money laundering.”

### **Jacques de Groot: an emblematic figure of the elites who govern the planet**

Beyond his own eventful personal history, Jacques de Groot symbolizes the profoundly harmful aspects of the policies methodically applied by the World Bank, IMF, and the elites who govern our world solely on the basis of maximizing profits and “consolidating” the system.



Here are the key aspects characterizing these activities.<sup>53</sup> Support by the WB and IMF, in complete contradiction with the Charter of the United Nations, for the colonial powers’ plundering of their colonies before independence. De Groot acted for Belgium, which dominated “Belgian” Congo until June 1960, helped to destabilize and overthrow the regime of Patrice Lumumba (Belgium was involved in the assassination of the former Congolese prime minister in January 1961); supported the dictator Mobutu from the 1960s until the

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<sup>53</sup> A detailed presentation of this summary can be found in the aforementioned article “An emblematic IMF and World Bank Personality Dragged Into Court” <http://cadtm.org/An-emblematic-IMF-and-World-Bank>

beginning of the 1990s, as an official advisor of his government; facilitated WB and IMF support for General Habyarimana's regime in Rwanda from the 1980s to the beginning of the 1990s, and acted as an advisor for the Rwandan government. We must also remember that these two dictators were guilty of systematic violations of human rights and crimes against humanity. The list is long, and includes the systematic application of the neoliberal agenda with the widespread implementation of structural adjustment policies, which meant countries were forced to pay back odious and/or illegitimate debt, and to better open up the economies of heavily indebted countries so as to better serve the interests of major private multinational corporations. De Groote participated in these activities as the Executive Director to the World Bank for Belgium from 1975 and 1991, and to the IMF from 1973 to 1994, unrolling a vast program of privatizations imposed by the IMF and the World Bank, which benefited a handful of individuals and a few major corporations. These privatizations were often linked to various forms of fraud as the Swiss courts have decided in the case of the MUS mine. To all of the above can be added an obvious conflict of interest in the case of Jacques de Groote, because while he was still an Executive Director at the IMF, he received important sums of money in exchange for his aid to the private sector. It is important to highlight that neither the IMF nor the World Bank have taken disciplinary measures against him for this clear conflict of interest, nor has the Belgian government, which was represented by de Groote in these institutions.

In this revolting affair, greed and the violation of fundamental human rights go hand in hand. The institutions responsible have remained untouchable, and their Directors believe that they are entitled to the privilege of absolute impunity. It is high time to put an end to this abuse! Those who work for the IMF and WB must be liable in a court of law for the acts they commit in completing their functions, and these institutions themselves must come to account before the law for the numerous violations of human rights they have committed and continue committing in the North and South.

## APPENDICES

### **1/ The Life and Times of Jacques de Groot**

**1960** Jacques de Groot participates as a Belgian civil servant at the round table that prepared the independence of the Congo, which was proclaimed on 30 June 1960.

**14 September 1960** Mobutu organises a coup against President Joseph Kasavubu and his Prime Minister Patrice . An interim government was set up, headed by Justin Bomboko.

**October 1960** Mobutu has Patrice Lumumba arrested.

**17 January 1961** Assassination of Patrice Lumumba in Katanga. Belgium, Mobutu, and political leaders from Katanga, including Moïse Tshombé, played an active role in this murder. The CIA also has a mission to assassinate Lumumba.

**April 1960 to May 1963** J. de Groot was the assistant of Belgium's Executive Director to the IMF and World Bank in Washington.

**1961** Mobutu returned the power to Joseph Kasavubu, who appointed him Commander-in-chief of the army.

**24 November 1965** Mobutu dismisses President Joseph Kasavubu and seizes power with support from the high command of the army, Belgian authorities, and the United States. As of this moment, the World Bank and the International Monetary Fund actively support Mobutu's dictatorial regime.

**March 1966 to May 1969** J. de Groot was Congo's chief economic advisor and an advisor of the Governor of the National Bank of

Congo in Kinshasa. He was in charge of the *Union minière* mining company (now called *Gécamines*).

**May 1969 to November 1973** He was financial advisor for the Belgian delegation to the OECD in Paris.

**1970** Mobutu's PMR officially named the only political party in the Congo. Official visit by the Belgian King Baudouin and Queen Fabiola to celebrate the 10th anniversary of independence. Belgium, the United States, France, and other Western powers offer military and financial support to the Mobutu regime.

**1973 to 1994** J. de Groote was the Belgium's Executive Director of the IMF in Washington, and presides over a group of countries with 5% of the total votes (more than France, the United Kingdom, China, or India). From 1973 to 1991, he was also Belgium's Executive Director to the World Bank. At the end of his term, the group over which he presided included Belgium, the Czech Republic, Slovakia, Slovenia, Austria, Luxembourg, Turkey, Belarus, Hungary, and Kazakhstan.

**May 1978** Intervention of Belgian and French troops in Kolwezi to protect Mobutu from a rebellion aimed at overthrowing him.

**1980 to 1989** J. de Groote was a member of the jury of the King Baudouin Foundation, which “**fight**s poverty and underdevelopment.”

**Early 1980s** According to J. de Groote, Rwandan authorities asked him to represent them at the World Bank. J. de Groote acted in favour of a devaluation of the Rwandan franc, which served the interests of Baron van den Branden's mine “*Géomines*;” the Baron then convinced the Belgian bank Nagelmaekers to give J. de Groote a loan. These facts were subsequently exposed by the *Wall Street Journal*.

In the early 1980s, when the Third World debt crisis erupted, Rwanda (just like its neighbour Burundi) had a very low level of debt. Whereas at that very moment, the World Bank and the IMF were abandoning their policy of active lending, preaching austerity instead, in Rwanda, and Mobutu's Zaire, they adopted a very different approach, lending them massive amounts of money. As a result, Rwanda's foreign debt increased twenty fold between 1976 and 1994.

**1982** The Blumenthal Report, written on the request of the IMF, is made public. It exposed the systematic corruption characterizing Mobutu's regime. Nonetheless, the World Bank and the IMF increased their lending to his regime.

According to the *Wall Street Journal*, Jacques de Groote informed the authorities in Kinshasa what the IMF mission was expecting of them before it visited the country in 1982. At stake was a \$246 million loan from the IMF.

**1986** According to the *Wall Street Journal*, J. de Groote visited Mobutu in his villa in the South of France in August 1986.

**1989-1991** Fall of the Berlin Wall and implosion of the Soviet Union, Mobutu's regime is no longer useful to the Western powers, the World Bank, or the IMF.

**December 1990** The *Wall Street Journal* publishes the results of a long investigation concerning Jacques de Groote. The newspaper shows that de Groote systematically took advantage of his influence at the IMF and the World Bank to serve the interests of Mobutu. The journalists considered that there was a conflict of interest because de Groote used his position to make financial gains. The financial daily also asserted that de Groote benefited financially from his position at the World Bank and IMF in his dealings with Rwanda.

**Late 1990** Jacques de Groote and Alain Aboudaram start working together. The former lends a hand to the latter by helping his company avoid tax in the Czech Republic and sign a contract to build a pipeline in India.

**1991** End of J. de Groote's term of office at the World Bank.

**1991** The IMF breaks off its relations with Zaire. The World Bank follows suit in 1993. With no new funds coming from abroad, Mobutu's Zaire no longer had enough liquidities to pay its debt instalments, so it stopped making payments in 1994.

**1992-1994** Alain Aboudaram wrote: "*In exchange for his consultancy work for my company from 1992 to 1994, M. de Groote earned \$1,292,902 in commissions.*"

**1994** End of J. de Groote's term of office at the IMF.

**April-June 1994** Genocide in Rwanda, more than 900,000 Tutsis and Hutus are assassinated. France intervenes militarily to support the genocidal regime and to exfiltrate genocide perpetrators towards Congo-Kinshasa. The CADTM argues that the World Bank and IMF were implicated because they had imposed socially disastrous policies in Rwanda and supported General Habyarimana's dictatorship until 1993.

**1997** The fall of Mobutu's regime.

**1998** The fraudulent privatisation of the MUS mine in the Czech Republic begins.

**1998-1999** J. de Groote becomes the President of the Appian Group, a Swiss company based in Fribourg, specialising in investments in the companies being privatised in Central and Eastern Europe, particularly in the Czech Republic. According to the *Financial Times*,

in 2004, the Appian Group had 15,000 employees and owned the Skoda engineering group -no relation to the Skoda automobile company- (which had also been privatised) in addition to the MUS mine (purchased in 1998).

**2000** A \$500,000 loan from Alain Aboudaram to Jacques de Groote turns bad, and their relationship becomes strained.

**2002** Alain Aboudaram puts pressure on Jacques de Groote and his Czech partners to get back his money, but is unsuccessful.

**December 2004** Alain Aboudaram writes a letter to the Swiss courts to “reveal the affair.”

**June 2005** Alain Aboudaram is summoned before the Swiss courts to explain his denunciation in detail. Immediately afterwards, the Swiss attorney general's office (MPC) opens an investigation.

**2004 to 2006** In the United States, different courts judge the dispute between Alain Aboudaram and Jacques de Groote.

**2006** Informed of the trials in the United States, the CADTM asks Gino Alzetta, the Executive Director to the World Bank for the group presided over by Belgium, to comment on J. de Groote’s behaviour. Gino Alzetta replies that he saw nothing reprehensible in it.

**January to March 2008** During a “complex international financial investigation,” Swiss authorities ordered the freezing of assets worth 660 million Swiss francs on nearly 100 bank accounts in Switzerland.

**21 October 2011** The Swiss attorney general's office (MPC) transmits a bill of indictment to the federal penal court, accusing Jacques de Groote and six Czech citizens of aggravated money laundering, fraud, and other charges.

**13 May 2013** The trial opens in Bellinzona in the Swiss canton Ticino. J. de Groote refuses to go to the trial, and claims that he is completely innocent.

**May 2013** The CADTM questions Gino Alzetta (Belgian Executive Director to the World Bank) a second time about the accusations lodged against J. de Groote. Gino Alzetta reiterates his support for J. de Groote.

**July 2013** The Swiss attorney general's office (MPC) calls for a two-year suspended prison sentence and a 162,000 euro fine (200,000 Swiss francs) for Jacques de Groote.

**October 2013** Jacques de Groote is condemned of fraud by the Swiss courts. The 5 Czechs who organised the fraud are sentenced to prison. The frozen assets (660 million Swiss francs) will be paid to the Czechs who were victims of the fraud that occurred during the privatisation.

**Sources:** Biography: Dr. Jacques De Groote <http://www.zoominfo.com/p/Jacques-DeGroote/49353658>, *Le Temps*, *Wall Street Journal*, *Le Soir*, and other research by Éric Toussaint.

## **2/ The IMF and the World Bank: It's time to replace them**

**In addition to examining the life of Jacques de Groote, an emblematic figure of the World Bank and IMF, it is critical to adopt a clear position with respect to these two institutions. We have drawn up the following list of thirty reasons for replacing them.**

1. Since their creation in 1944, the World Bank and the IMF have actively supported all dictatorships and corrupt U.S.-allied regimes.

2. In spite of having learned of massive misappropriations, the World Bank and the IMF have maintained or increased the amounts lent to corrupt and dictatorial regimes allied with the Western powers (see the classic case of Congo-Zaire under Marshal Mobutu analysed in the 1982 Blumenthal report).
3. Through their financial support, they aided Habyarimana's dictatorship in Rwanda until 1992, which enabled a five-fold increase in the size of his army. The economic reforms they imposed in 1990 destabilized the country, and exacerbated latent contradictions. The genocide that had been prepared for since the end of the 1980s by the Habyarimana regime began on 6 April, 1994, resulting in the death of almost a million Tutsis (and moderate Hutus). Subsequently, the World Bank and the IMF demanded that the new Rwandan authorities reimburse the debt contracted by the genocidal regime.
4. They also supported other dictatorial regimes (Romania from 1973 to 1982, China from 1980) in order to weaken the USSR before its collapse in 1991.
5. They supported the worst dictatorships until they were overthrown: Suharto in Indonesia from 1965 to 1998; Marcos in the Philippines between 1972 and 1986; Ben Ali in Tunisia and Mubarak in Egypt until their collapse in 2011.
6. They have actively sabotaged progressive experiments in democracy (from Jacobo Arbenz in Guatemala in the first half of the 1950s and Joao Goulart in Brazil in the early 1960s to the Sandinistas in Nicaragua in the 1980s, and of course including Salvador Allende in Chile from 1970 to 1973 -- to mention just a few).
7. The very people who are the victims of the tyrants financed by the World Bank and the IMF are forced by these same institutions to reimburse the odious debts contracted by these corrupt, authoritarian regimes.

8. The World Bank and the IMF have also forced countries that became independent at the end of the 1950s and in the early 1960s to repay the odious debt contracted by former colonial powers as they colonised these countries. This is true, for example, of the colonial debt contracted by Belgium with the World Bank in order to fund its colonisation of the Congo in the 1950s. We must remember that international law prohibits this type of transfer of colonial debt.
9. The World Bank and the IMF provided financial support to countries like apartheid South Africa and Portugal, which were under an international financial boycott imposed by the UN.
10. The World Bank has supported a country that annexed another by force (Indonesia's annexation of East Timor in 1975).
11. On the environmental front, the World Bank continues to pursue a productivist policy that is disastrous for people and detrimental to nature. It has also succeeded in being appointed to manage the emissions trading market.
12. The World Bank finances projects that flagrantly violate human rights. For instance, many components of the "transmigration" project in Indonesia, which was directly supported by the World Bank, may be considered to be crimes against humanity (destruction of the natural habitats of native peoples, enforced displacement of communities). More recently, the World Bank financed, in its entirety, the ironically-named "Voluntary Departure" operation in the DRC, a severance programme that violates the rights of 10,655 employees of Gécamines, the public mining company located in Katanga. These workers have still not been paid their back wages and the compensation required by Congolese law.
13. The World Bank and the IMF contributed to the emergence of factors that caused the outbreak of the 1982 debt crisis: a) the World Bank and the IMF encouraged countries to contract debts under

conditions that led to their over-indebtedness; b) they drove, and even forced, countries to remove capital-movement and exchange controls, thereby increasing the volatility of capital and significantly facilitating its flight; c) they drove countries to abandon import substitution industrialisation and replace it with a model based on export promotion.

14. They have concealed dangers such as over-indebtedness, payment crises, and negative net transfers, which they themselves had detected.

15. From the beginning of the crisis in 1982, the World Bank and the IMF have systematically supported creditors to the detriment of debtors.

16. The World Bank and the IMF have recommended, and even imposed, policies that put the burden of debt on common people, while favouring the most powerful.

17. The World Bank and the IMF have attempted to spread an economic model that systematically increases inequalities between and within countries.

18. In the 1990s, the World Bank and the IMF, with the complicity of government leaders, extended structural adjustment policies to most countries in Latin America, Africa, Asia, and Central and Eastern Europe (including Russia).

19. In the latter countries, massive privatisations have been carried out to the detriment of the common good, and have transferred colossal wealth to a handful of oligarchs.

20. They have strengthened major private corporations and weakened both public authorities and small farmers and businesses. They have exacerbated the exploitation of employees and made their employment more precarious, and have done the same to small farmers and businesses.

21. Their self-proclaimed fight against poverty fails to conceal the actual policy that reproduces and aggravates the very causes of poverty.
22. The liberalisation of capital flows, which they have systematically encouraged, has increased the incidence of tax evasion, flight of capital, and corruption.
23. The liberalisation of trade has strengthened the strong and weakened the weak. The majority of small and medium businesses in developing countries are unable to withstand competition from large corporations, both in the North and the South.
24. The World Bank and the IMF act in conjunction with the WTO, the European Commission, and willing governments to impose an agenda that is radically opposed to ensuring basic human rights.
25. Since today's crisis hit the European Union, the IMF has spearheaded the move to impose on the peoples of Greece, Portugal, Ireland, Cyprus, and other countries the same policies that were first imposed on the peoples in developing countries, and then in Central and Eastern Europe in the 1990s.
26. The World Bank and the IMF, which preach good governance in one report after another, are in fact themselves engaged in dubious conduct, as can be seen in the case of Jacques de Groote who acted malevolently for many years but was covered by these two institutions.
27. The two organisations keep most of their member countries marginalized, favouring instead a handful of governments in wealthy countries.
28. In a nutshell, the World Bank and the IMF are despotic machines in the hands of an international oligarchy (a handful of major powers and their transnational corporations), which enforce the international capitalist system that is destroying mankind and the environment.

29. The destructive actions and policies of the World Bank and IMF must be denounced in order to put to an end to them. The debt, or “tribute” these institutions are trying to collect must be cancelled, and they themselves must be brought to account.

30. A new international, democratic financial system must be created as soon as possible to promote the redistribution of wealth and to support people’s efforts to achieve socially just development that is respectful of nature.

### **3/ The World Bank**

The World Bank is made up of two entities: the International Bank for Reconstruction and Development (IBRD), which was created in 1944 at the Bretton Woods Conference, and the International Development Association (IDA), established in 1960 to loan money to the poorest countries. The World Bank has some 10,000 employees, 100 offices throughout the world, and 187 Member States in 2013. Three other institutions are part of the World Bank: the International Finance Corporation (IFC), which was established in 1956 to provide financing to the private sector; the International Centre for Settlement of Investment Disputes (ICSID), established in 1966; and the Multilateral Investment Guarantee Agency (MIGA) established in 1988.

Any major reform at the World Bank would require a supermajority of 85% of the votes; however, the United States holds 16.85% of the voting rights, which gives it de facto power of veto. In addition, by tacit agreement, the World Bank President has always been a US citizen appointed by the President of the United States. Barack Obama’s appointment of Jim Yong King, a US citizen of South Korean origins, who became the 12th President on 1 July 2012 has

not fundamentally changed the situation, even if he is neither a banker nor a diplomat like his predecessors. A reform in 2010 decreased the voting rights of Northern countries to favour emerging countries; however, developing countries that represent nearly 80% of the world population still have a minority share with 47.19 % of the votes. Brazil's share has increased from 2.06% to 2.24%, and India's from 2.77% to 2.91 %. In any case, due to these changes the emerging powers hardly have any more influence on the Bank's orientations.

The World Bank defends de facto the interests of the major powers, and in particular those of the United States. Since 1944 it has accompanied a veritable transfer of wealth throughout the world, from those who produce it to a few who profit from it, and it has actively supported dictatorships. Although the World Bank, like the IMF, is a specialised organisation in the United Nations system, it has violated international law on a regular basis. The World Bank's motto "Our dream, a World without Poverty" is therefore very far from reality. That explains why some critics of the World Bank's activities insist on its hidden agenda that serves the interests of the major powers, multinational corporations, and super wealthy capitalists. As far as this hidden agenda is concerned, the World Bank's activities do provide healthy returns for some, but not for those who are supposed to be benefiting from them.

The World Bank has skilfully developed its subsidiaries (the International Finance Corporation - IFC, Multilateral Investment Guarantee Agency - MIGA, and International Centre for Settlement of Investment Disputes - ICSID) to make a tighter and tighter web of influence.

A theoretical example can help us to understand the effects of its policies. The World Bank will grant a loan to the authorities of a country if and only if its water distribution and waste water treatment system is privatised. Consequently, the public utility is sold to a private consortium that includes the IFC, a subsidiary of the World Bank.

When those affected by the privatisation revolt against the drastic price increase and lower quality service, and the public authorities turn against the predatory transnational corporation, the dispute management is entrusted to the ICSID, which conveniently becomes both judge and jury.

We arrive at a situation in which the World Bank Group is omnipresent: 1) imposing and funding the privatisation (the World Bank via the IBRD and IDA); 2) investing in the privatised corporation (IFC); 3) selling a guarantee to this corporation to cover it against risks linked to politics (MIGA); 4) making the final judgement when there is a dispute (ICSID).

In most cases, the ICSID rules in favour of private corporations, which has led three Latin American countries (Bolivia, Ecuador and Venezuela) to refuse to recognise the competence of this tribunal.

#### **4/ The International Monetary Fund (IMF)**

Established at the Bretton Woods Conference at the same time as the World Bank, the IMF functions more or less in the same anti-democratic way as the World Bank. The United States has a unilateral veto with 16.79 % of the voting rights, enabling it to prevent any major reform, which would require 85% of the votes. The IMF Managing Director is always European, and the First Deputy Managing Director is always a US citizen named by the President of the United States. Contrary to the World Bank, which borrows the money it ultimately lends from financial markets, the IMF draws its resources from its members and has its own unit of account, known as the Special Drawing Right (SDR), which consists of a basket of strong currencies. Its resources linked to the quotas of different countries represented 210 billion SDRs (nearly \$300 billion) until

2009. However, in April 2009 the G20 in London increased this amount to \$1000 billion in response to the financial crisis.

Like the World Bank, the IMF had no qualms about supporting several dictatorial regimes. Its Management, just like that of the World Bank, has collaborated actively with military regimes, which from the 1960s to the beginning of the 1990s, overthrew democratic governments from Congo–Kinshasa, to Brazil, Argentina, Uruguay, Chilli, the Philippines, and Indonesia. We must also remember the support these two institutions gave to the apartheid regime in South Africa and to Salazar in Portugal, because of which they were formally denounced by the UN General Assembly.

In 2007, the IMF went through a relatively serious crisis due to early prepayments by countries that no longer wished to be under its supervision, and in particular preferred to opt out of its infamous structural adjustment plans. Since 2010, the IMF has made a strong comeback, riding the wave of the crisis in Europe. Along with the European Commission and the European Central Bank, the IMF is part of the troika that has imposed memorandums of understanding, the European version of the structural adjustment plans imposed on developing countries, which have had the same negative consequences, in particular in terms of labour laws and social protection. Whereas the IMF describes itself as “an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world,”<sup>54</sup> its policies have destroyed tens of millions of jobs throughout the world, undermined social protection, and increased poverty and the concentration of the wealth of multinational corporations and wealthy individuals. Its attacks against social protection, and the privatisations it has backed are making access to public services more difficult and costly for most people throughout the world.

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<sup>54</sup> <https://www.imf.org/external/about.htm> (accessed on 16-01-2014)

## Post face : Éric Toussaint - a Courageous Whistleblower by Jean Ziegler

In today's Europe, with its uniform conscience, wishy-washy consensus, and triumphant State-imposed logic, any attempt to break with the current brutal world order is considered to be either a utopian project or quite simply delirious.



On our continent, a revolutionary is at best considered to be original, a kind of intellectual bum, an inoffensive dreamer, or a colourful outsider, and at worst, a threatening troublemaker, a deviant, or simply mad. Meanwhile, global capitalist financial oligarchies are governing the planet, according to a self-legitimising ideology based on economic rigour, noxious nationalism, and a human rights doctrine that subtly promotes discrimination. Am I exaggerating? Real, living democracies that respect the freedom and the pursuit of happiness of their citizens do exist in the United States, France, Belgium, England, Switzerland, and many other Western countries. However, in their neo-colonial empires, confronted by the marginalised populations they dominate there, these same Western democracies practice what Maurice Duverger has called fascism abroad. In many countries in the Southern hemisphere, all social indicators have been negative for more than 50 years (except for demographics). Malnutrition, misery, illiteracy, chronic unemployment, endemic diseases, and broken families are the direct consequences of the unbalanced terms of trade and the tyranny of debt. Western democracies practice a form of genocide based on indifference. Régis Debray has observed that: "Free (wo)men need slaves."<sup>55</sup> That is the price others must pay to ensure our fragile prosperity in the West!

<sup>55</sup> Régis Debray, in *Le Tiers monde et la gauche (The Third world and the left)*, collective work, Editions du Seuil, 1979, p. 79.

People in poor countries are working themselves to death to finance the development of rich countries. In reality, it is the South that is financing the North – especially its dominant classes. Debt is indeed the most powerful means of domination used by the North against the South today.

More capital flows from the South to the North than in the other direction. Every year, the poor countries send considerably more money to the upper classes in rich countries than they receive in the form of investments, cooperation loans, humanitarian aid, and “development” aid.

No need for machine guns, napalm, or tanks to subjugate and reduce people to slavery. Today, all we need is debt.

Foreign debt has become a weapon of mass destruction. It enslaves people and destroys their belief that they can be independent, thereby ensuring permanent worldwide domination by the capitalist financial oligarchies.

In 2013, one child under the age of ten died of hunger every five seconds. Every day, 57,000 human beings died of hunger. Nearly 1 billion of our 7 billion fellow human beings suffer from permanent and serious malnutrition. This is happening on a planet, which according to the FAO, could easily feed 12 billion people (2200 kilocalories per day).

As a percentage of its population, Africa is the continent on which there is the greatest number of famished people: 36.2% in 2012. In absolute figures, it is Asia that comes out on top in this macabre contest. The foreign debt noose prevents the most impoverished countries from making the minimum required investments urgently needed for their farming systems.

Although 37 of the 54 African countries are nearly entirely agricultural with vast swaths of fertile land, and a relatively small population; in 2012, \$24 billion worth of food had to be imported

onto the continent due to the lack of agricultural investments. Seed production and animal and mineral fertilisers are all lacking. There are 250,000 draught animals on the continent, but less than 85,000 tractors. In 2013, the hoe and the machete were still the main tools used for farming.

Only 3.8% of arable land south of the Sahara is irrigated. The rest is watered only by rainfall, and faces the deadly risks entailed by a chaotic climate.

The IMF is in charge of managing the debt of poor countries, and its mercenaries are the fire-fighters of the international financial system, who become willing arsonists when called upon...

When there is a major crisis, they intervene in exotic financial places, making sure above all that no international speculators will lose their initial wager. The Economist, which is not exactly the voice of a left-wing firebrand, has written: "... So when sceptics accuse rich country governments of being mainly concerned with bailing out western banks when financial crisis strikes in the world, they have a point."<sup>56</sup>

For decades, Jacques de Groote played a key role in maintaining, reproducing, and strengthening this cannibalistic world order: as Belgium's Executive Director to the FMI and World Bank, and as an advisor to the predator Joseph Désiré Mobutu.

Today, De Groote has been brought before Swiss courts in Bellinzona with six Czech co-defendants for "aggravated money laundering and fraud," according to the bill of indictment delivered by the Swiss Ministry of Justice.

Éric Toussaint has written a fascinating, incisive, and extremely well-documented book about the stormy career of the nefarious Jacques De Groote.

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<sup>56</sup> "A Plague of Finance," *The Economist* (London), 29 September 2001.  
<http://www.economist.com/node/796127>

Toussaint is a world-renowned author and a precious advisor to the numerous governments attempting unburden themselves of “odious” debt. His research and publications have made him a leading authority on these matters, even for the IMF and the World Bank. Among his works, *Your Money (or) Your Life - The Tyranny of Global Finance* (2005); *Debt, the IMF, and the World Bank*; *Sixty Questions, Sixty Answers* (2010);, *The World Bank: a never-ending coup d’Etat* (2006) are indispensable for understanding the functioning of the current world economic order, which was established by capitalist financial oligarchies.

*The Trial of an Exemplary Man* is a profound and lively scientific work that is in a league of its own. Jean-Paul Sartre made a distinction between scientific, analytical, erudite works, on the one hand, and “books that take action.” *The Trial of an Exemplary Man* is just such a work, because in his role as a whistleblower Éric Toussaint takes bold action.

As I am writing these lines, the Bellinzona penal court has not yet given its final verdict. We must therefore continue to scrupulously presume the innocence of Jacques de Groote – even if that is a difficult attitude to maintain.

Nevertheless, Éric Toussaint’s book has raised many troubling questions. How could a figure like de Groote continue conducting his questionable activities at the IMF and World Bank with total impunity? What kind of protection did he enjoy, and who were his accomplices?

This powerful book answers those and other relevant questions.

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## THE LIFE AND CRIMES OF AN EXEMPLARY MAN

### ERIC TOUSSAINT

*The life and crimes of an exemplary man* adds a new dimension to Eric Toussaint's analyses, and a new chapter to the precious research carried out by the Committee for the Abolition of Third World Debt (CADTM) to demystify these Bretton Woods institutions. The potions concocted by the IMF and World Bank are not only bitter, they are also often deadly.

Stories such as this one about the life of Jacques de Groote, who used to be an executive director at these two institutions, and has now been condemned by the Swiss courts for fraud, aggravated money laundering, and document forgery, clearly illustrate the moral crisis afflicting the dominant social classes today.

The peoples of the world could act together and more effectively if information were treated in a way that would allow them to understand the responsibilities of the key players. Eric Toussaint's book is a valuable tool that can educate citizens in the North and in the South.

**Aminata Traoré**

Eric Toussaint has written a fascinating, incisive, and extremely well-documented book about the stormy career of the nefarious Jacques De Groote. *The life and crimes of an exemplary man* has raised many troubling questions. How could a figure like de Groote continue conducting his questionable activities at the IMF and World Bank with total impunity? What kind of protection did he enjoy, and who were his accomplices? This powerful book answers those and other relevant questions.

**Jean Ziegler**

