The European Investment Bank (herein EIB) is an EU body owned by the member states created as part of the Treaty of Rome in March 1957. As the EU’s finance arm, the EIB identifies and invests in infrastructure projects (roads, bridges, power plants etc) that work toward achieving EU policy goals. EIB backed projects can involve finance for projects with risk profiles out of reach of commercial banks and other sources of finance. This is the niche that the EIB fills, and it has quietly been doing so since its inception without much fanfare. It operates under the radar, lending large volumes but receiving very little attention from the media and even less so from academia.

The EIB is one of many international financial institutions (herein IFIs) whose mission and objectives vary according to geographic focus but are usually managed by clusters of nation states and undertake lending operations to fulfil certain policy objectives such as economic development, infrastructure investment and poverty alleviation. These organisations and their activities are not without their detractors and have long been subject to critical assessments that highlight the distance between their policy objectives and mission statements versus the effects on the ground of their lending operations.

In addition to purely economic assessments, IFI operations have been shown to facilitate, or be directly responsible for, wide ranging unethical behaviours in the finance, implementation and monitoring of large infrastructure projects such as pipelines, dams and those in in the extractive industries that have caused environmental damage and the involuntary or forced displacement of local communities. IFI projects have also resulted in dozens of corruption scandals across the globe that share similar features - projects costs are inflated, funds are siphoned off by corrupt individuals in collusion with state officials and taxpayers are left to shoulder the loan repayments without benefiting from the project’s intended development objectives.
This thesis attempts to better understand how an IFI takes decisions on supporting controversial projects to which the EIB is no stranger. One recent problematic EIB investment in the EU is the Šoštanj coal power plant in Slovenia which benefitted from two EIB loans totalling €550 million in 2007 and 2010. The corruption scandals connected to the project reveal how individuals working for the project promoter, in collusion with government insiders, artificially inflate project costs in the procurement stage thereby leaving citizens with an overpriced infrastructure asset at the cost of investment in other sectors. The EIB, by offering significant financial resources to the project and by failing to monitor how its funds are disbursed, can facilitate and exacerbate these corruption networks in large infrastructure projects that result in the public being significantly short-changed. In this case, the initial project cost was estimated at €600 million but eventually rose to €1.4 billion. These criticisms are further underpinned by a more fundamental doubt as to the rationale for EIB involvement and the extent to which EIB financing for the Šoštanj plant is at all compatible with EU policy objectives on climate and emissions. Questions regarding the economic justifications for EIB support for individual projects and the EIB’s role in supervising how its funds are spent are central to this thesis and covered in detail in chapters 7 and 8.

Many of the charges levelled against the EIB centre on its violations of project standards (e.g. environmental, social, technical) to which it is supposedly meant to adhere through its legal obligations at EU/member state level, international agreements it has signed, its due diligence and compliance standards, and its own policy commitments. The EIB does not always comply with these standards and at times offers support for projects that are at best inconsistent with such standards, or at worst in violation of them. When the EIB violates these commitments, I will consider such behaviour as a form of organisational deviance – a concept used throughout this thesis which draws attention to the ways in which organisations may act counter to the law, regulations and their founding statutes and mission statements.

When these standards are violated it can result in the EIB supporting infrastructure projects that lead to negative effects for the local communities hosting them in terms of environmental damage and the stimulation of corruption with the resulting
impacts being felt at national level. This thesis views such EIB backed projects as being *socially injurious* – a criminological concept connected to the idea of harm that is used to denote courses of action or behaviours that while not being illegal according to legal frameworks nevertheless cause substantial negative impacts, or harms, on the public at both local and national levels (Kramer *et al*, 2002).

**Research questions**

In order to understand why the EIB engages in these conducts the thesis is guided by the following research questions:

1) How does the EIB commit to lending activities that are in violation of the EU/member state legal frameworks, international agreements of which it is a signee and its own policy commitments?

2) What external factors or internal organisational processes contribute toward this form of organisational deviance?

3) What socially injurious actions can result from EIB lending activities and what harms do they create for the communities hosting them?

4) How can we interpret this conduct using criminological theory?

**Key concepts and theory**

Large infrastructure projects such as the ones described in this thesis are complex initiatives involving dozens of state agencies, possibly hundreds of subcontracting companies and thousands of individual workers at all stages of the project cycle from procurement, construction to *ex-post* monitoring. Through their interactions with the natural and built environment, large projects have the potential to negatively affect the communities that host them through adverse environmental, social and financial impacts. The severity of these impacts have been observed by criminologists using the concept of ‘harm’ that encompasses a broad range of behaviours and their impacts, often ignored by the criminal justice system, but which nevertheless cause substantial and demonstrable harms and suffering to individuals and groups (Hillyard *et al*’s 2004 work is specifically relevant here).
Observing the EIB through a criminological lens leads this paper to overlap with two related bodies of research that are connected to understanding the relationship between states, corporations and IFIs in the production of crime and organisational deviance and the resulting harms caused. Firstly, ‘state-corporate crime’ research focuses on “illegal or socially injurious actions that occur when one or more institutions of political governance pursue a goal in direct cooperation with one or more institutions of economic production and distribution” (Kramer, 1992). This body of research began in the early 1990s and has included case studies on the Space Shuttle Challenger disaster (Kramer, 1992), the criminogenic features of the US nuclear weapons production industry (Kauzlarich and Kramer, 1998) and the 2007 collapse of the I-35W bridge over the Mississippi River (Schotter and Rhineberger-Dunn, 2013). State-corporate crime research has expanded beyond the US to include case studies on the UK government’s relationship with private military companies (Whyte, 2003), the mining and extractive industries in Colombia (Zaitch and Gómez, 2015) and tax rulings made by EU member states that facilitate aggressive tax planning (Evertsson, 2017).

Secondly, the ‘crimes of globalization’ body of research that borrows much of its focus from state-corporate crime but engages specifically with international financial institutions (IFIs) such as the World Bank and the IMF. Beginning with Friedrichs and Friedrichs’ (2002) study of a World Bank financed dam in Thailand, the crimes of globalization literature aims to better understand the lending activities of IFIs while interpreting their conduct and operations through a neo-colonialist perspective that critically dismantles many of the development claims made by the IFIs, instead drawing attention to the ways they can contribute to worsening economic conditions (Ezeonu, 2008) stimulating corruption (Rothe, 2010) and fueling military conflict leading to human rights abuses (Rothe et al, 2008; Stanley, 2008).

Common to both bodies of literature is the use of a three-tiered theoretical framework that proposes the analysis of crime and organisational deviance on macro, meso and micro levels of analysis (Kramer and Michalowski, 1990). The macro perspective emerges from political economy approaches that locate criminogenic forces within the structure of capitalism that create incentives for organisations to achieve profit using illegitimate means (Barnet 1981, Michalowski 1985). At the meso level, the analysis is underpinned by a view of organisational
deviance as the product of organisations’ emphasis on goal attainment (Finney and Lesieur, 1982); as the result of defective standard operating procedures (Hopkins, 1978); or as consequence of organisational structure (Kramer, 1982) while the micro level is influenced by Sutherland’s (1949) theory of differential association and the individual learning of deviant activities. As per the logic of the framework, a goal-oriented individual operating in an organisation that prioritises economic performance in a society that is structured upon goal attainment will be more likely to pursue deviant means than if one of those conditions is not present.

Both bodies of literature have arrived at a crossroads with further progress being prevented in two ways. Firstly, very few case studies in either endeavour have been able to access individuals or organisations under study (with the exception of Lasslett, 2014) and as a consequence are reliant on secondary data sources (Michalowski and Kramer, 2006, p. 245). This problem is especially acute in the crimes of globalization literature which offers no empirical data on the organisational setting of the IFIs and the internal processes that lead to these institutions supporting individual infrastructure projects. Given that the IFIs are essentially credit granting financial institutions operating under a specific policy remit, this lack of internal knowledge is a blind-spot in the current literature which is addressed in chapter 6 of the thesis.

Secondly, a long-lasting critique aimed at the state-corporate crime research is proposed by Lasslett (2010, p. 227), Tombs (2012, p. 175) and Whyte (2014, p. 237) who argue that the existing literature is overly focused on explaining spectacular events, or discrete acts, at the cost of unpacking the social relationships that produce them, or as per Tombs’ (2012, p. 175 invocation of Mathiesen (2004, p. 37) “to cut the event out of the fabric in which it exists.” In order to attend to this critique, in Chapter 8 I will argue that EIB activities must be understood as a product of post-financial crisis economic conditions and the increasing ways in which infrastructure projects are connected to financial markets through the process of financialisation - a concept that seeks to interpret the shift in the global economy from profit accumulation based on production to accruing profits through financial channels and financial engineering.
Research strategy

Research into the EIB was conducted utilising the case study research strategy, which according to Yin (1994), consists of empirical enquiries investigating contemporary phenomenon within its real-life context suitable for undertaking detailed investigations into events, industries and organisational processes. Vaughan (2007, p. 17) suggests that the strategy, when applied to organisational research, “can expose macro-level influences, micro-processes, and cultural influences external and internal to the organization” or, as per Hartley (2004, p. 209), “provide analysis of the context and processes involved in the organisation under study.” The case study strategy was identified as the most appropriate to explore EIB internal processes, inter-departmental relationships and decision making on its governing bodies in order to understand the internal processes that led to the EIB taking the decision to support Castor.

In order to provide the data needed for the inquiry, the study employs two methods. Firstly, interviews were conducted with EIB officials, EU Commission officials, Members of the European Parliament (MEPs) and EIB business partners. Interviews were conducted between September 2016 and June 2017 in Luxembourg, Brussels and Strasbourg and via Skype. Participating EIB officials were recruited informally as a result of the EIB Civil Society Division’s refusal to participate in the study and its members’ attempts to enforce a blanket ban on EIB officials taking part in interviews. Secondly, documentation was analysed relating to the EIB’s corporate governance, its internal processes and specific project relating to individual infrastructure projects. The documents used were downloaded from institutional databases and webpages of EU institutions and relevant member state authorities as well as through freedom of information requests (FOIs) made to the EIB. The analysis of the two data sources took place between September 2017 and January 2018 using NVivo coding software.
Results

In Chapters 7 and 8 I argue that in order to understand EIB organisational deviance attention must be focused on the relationship between the EIB shareholders and the members of the EIB Management Committee and Board of Directors that ultimately take decisions on EIB support for projects – these decision-making bodies are the sites through which external pressures enter the EIB organisational setting and simultaneously, where the most critical decisions are taken. In chapter 7 I advance the use of resource dependency theory which was especially adept at tracking the ways in which EIB organisational interdependencies can influence its internal decision-making processes – in addition, this theory is particularly useful at creating connections between the macro and meso levels of analysis of the theoretical framework. When used to explain EIB organisational deviance, chapter 7 emphasises connections between external pressures on the EIB to support projects while chapter 8 tracks these pressures into the EIB organisational setting and explores how EIB officials are subject to lending pressures which can affect the appraisal process. In addition, chapter 8 observes the effects of these external pressures on individual EIB officials and argues that strain theory is an additional useful theoretical tool to interpret the way individual EIB officials react to pressures to secure EIB approval for certain projects.

While resource dependency provides an etiological theory that provides a convincing explanation for the ‘motivation’ catalyst for action from the theoretical framework chapter 7 explored the extent to which the types of lending instruments used by the EIB and the regulatory frameworks required can function as opportunity structures that facilitate EIB organisational deviance. In addition, Chapter 7 argues that dysnomie theory is helpful to interpret the asymmetries that exist between EU institutions and the EIB in terms of the limits to supervision, potential to intervene and inspection rights which combine together to create weak social controls that struggle to constrain or prevent EIB organisational deviance – one example of which is discussed in chapter 7 on the limited role for the European Court of Auditors which can only audit a fraction of EIB-financed projects but was instrumental in uncovering the systemic fraud and corruption which affected the Budapest Metro project. It is these asymmetries which create gaps in complicated multi-jurisdictional
normative frameworks that leave spaces for organisational deviance to occur. While dysnomie proved useful to interpret such spaces, it is in need of reconfiguration in order to account for emerging forces such as financialisation (as explored in chapter 7) which offers a more concise analytical vantage point to better understand new regulatory structures and architectures which are created as a result of financialised lending which prioritises investors’ through guaranteeing profits while using EU funds to socialise any financial losses.

In response to question 2, these macro level forces described above influence EIB organisational deviance and are amplified by internal shortcomings as demonstrated throughout chapter 8. In particular, the EIB Management Committee in its role as a bridge between the EIB shareholders and the EIB directorates can interfere in individual projects, engage in horse-trading on individual projects and yet be simultaneously removed from any accountability insofar as the body merely ‘prepares’ decisions for the Board of Directors where the ultimate decision on loan disbursement is taken. Then, when such decisions on loan disbursement are to be taken, the Board of Directors is unfamiliar with the intricacies of projects and tend to approve the majority of projects under the assumption that all the EIB filters have been applied. This dynamic between the two governance boards undoubtedly increases the likelihood of bad projects being given approval by the EIB. However, while this thesis has questioned the rationale for EIB support in Castor and Passante di Mestre (chapter 4), through the case of the Budapest metro, it is also a conclusion of this thesis that in projects that have a sound purpose, the EIB’s failure to monitor the way in which its finance is used can contribute to the creation of criminogenic conditions in which other actors (e.g. government officials, businessmen) engage in fraud, corruption and embezzlement.

This last point provides the direct answer for question 3. The vignettes of EIB financed projects explored in Chapter 4, although being extreme cases, nevertheless show direct connections between EIB lending activities and environmental and financial costs for EU citizens. When large, capital intensive infrastructure projects enter into financial difficulties – as the result of poor project identification, project management or monitoring or by being affected by fraud and corruption – additional financial resources are required which are inevitably provided by more public funds which reduces the ability for governments to increase (or even maintain) spending
on more pressing budgetary concerns such as healthcare and education. These effects pose consequences at both local, regional and national levels which this thesis has viewed through the concept of ‘communities’ that recognises that stakeholders across different levels can be affected.

In response to question 4 on the role of criminological theory, chapter 7 underlines the need to extend the thesis’ theoretical toolkit beyond criminology to incorporate additional theory from related disciplines – in chapter 7 I argue that resource dependency theory, elsewhere used in case studies on the World Bank, could be a useful addition. However, the theory is not without its limitations. Johnson (1995, p. 16) argues that the theory’s major limitation is that it views organisational behavior as being primarily influenced by materialistic forces and as a consequence it fails to regard the role of cultural, ideological forces within institutions. Rothe (2010) has previously suggested that such cultural forces could be vital in understanding IFI organisational deviance. While this thesis has explored individual experiences of working in the EIB it has not constructed a framework to analyse the EIB internal environment using cultural perspectives. Therefore, the call to make connections between organisational culture and deviance remains unanswered and is left for future studies. However, the possibility of constructing such a framework capable of exploring cultural forces within an organisation would require an unprecedented level of access for criminologists. It is difficult to conceive of an IFI granting such a degree of access to a researcher and therefore the feasibility of undertaking such research remains in doubt.

A second disadvantage to using resource dependency theory as the main macro level etiological theory to explain EIB organisational deviance, and one which is reminiscent of the critique pointed at state-corporate crime research by Lasslett, Tombs and Whyte (in chapter 5), is that it has less to say about the exact configuration of the political-economic situation in which it is applied. In order to overcome this weakness, this thesis has proposed the use of dysnomie as an additional macro level theory that compliments research dependency theory but which focuses on the political-economic environment in which organisational deviance occurs.
Theoretical contribution

The principle debate within state-corporate crime and crimes of globalization (outlined in chapter 5) is prompted by Lasslett (2010), Tombs (2012) and Whyte (2014) and coalesces around a critique of these literatures’ perceived failure to adequately connect crime and organisational deviance to the political and economic structures in which they occur. This has led to the claim that the foregrounding of such events has ultimately led to them being cut ‘out of the fabric in which they exist.’

This thesis has contributed to this debate in two ways. Firstly, in order to avoid focusing on case studies as mere ‘moments of rupture,’ this thesis did not select them as the main unit of analysis as is often the case within current research. Instead, chapter 7 sought to understand the projects as the outcome of relationships between the EIB and other institutions - paying particular attention to the relationship between the EIB and its shareholders and with other EU institutions while placing them in context of EU legal and regulatory environment and the contemporary political economy of Europe.

Secondly, instead of addressing this perceived problem through the use of Marxist theoretical and analytical tools (as suggested by Lasslett (2010)), this thesis has chosen to use dysnomie to interpret the current political and economic arrangements of Europe which forms the structural backdrop to EIB organisational deviance.

In chapter 7 I argue that financialisation and the increasingly symbiotic and financialised relationships between states, supranational actors, corporations and private investors can be seen as representing the ‘fabric’ in which EIB organisational deviance occurs. This finding, in addition, offers a response to Kramer and Michalowski’s (1990) original call for state-corporate crime research to “direct attention toward the way in which deviant organisational outcomes are not discrete acts, but rather the outcome of relationships between different social institutions.”

While using the concept of financialisation as a pillar of dysnomie offers a convincing analysis for the EIB’s involvement in the Castor and Passante di Mestre projects it is less so to explain the Budapest Metro case. When dysnomie was used to
explain this case it centred on the ways in which legal frameworks at EU and national level are developed with gaps or asymmetries that can act as spaces in which deviance can occur. In this context, dysnomie is concerned with the ways in which the neoliberal economy produces conflicting and contravening normative frameworks across different jurisdictions but is less related (but still connected) to the way in which the economy is becoming increasingly financialised.

Much in the same way as neoliberalism has been broken down into the concept of ‘financialisation’ as an alternative pillar of dysnomie, new and more nuanced concepts are needed to better understand how the configuration of the economy influences the creation of supranational normative frameworks. Within this thesis this process remains incomplete and therefore the full reconfiguration of dysnomie is left for future studies.