Project XL

Stakeholder Involvement Evaluation

Executive Summary

Final Report
October 2000

Prepared for the U.S. Environmental Protection Agency
by the Southeast Negotiation Network

Stakeholder Involvement in Project XL

The U.S. Environmental Protection Agency initiated Project XL in March 1995. Project XL seeks to promote innovative initiatives that improve environmental performance at reduced cost. Each project is initiated by a sponsor who proposes an environmental management project that requires some flexibility in environmental regulations or procedures. All projects are individually designed by project sponsors and reviewed by EPA personnel for inclusion into Project XL. If EPA approves the project, the project sponsor is afforded flexibility on an experimental basis, conditional on demonstration of expected environmental benefits.

EPA seeks to ensure that modification of regulatory requirements or procedures will meet local needs while protecting the environment. To this end, EPA requires meaningful and organized participation on the part of stakeholders in all XL projects. Stakeholder involvement is a collaborative working relationship between project sponsors (organizations who propose XL projects) and stakeholders (people who believe they or their community could be affected by the project).

Such participation helps ensure that projects remain open and accountable to the communities in which they are located. Stakeholder involvement requirements also help ensure that stakeholders with an interest in the proposed project have an opportunity to learn about the nature of the project, identify issues that may have escaped the notice of project sponsors and regulators, and provide feedback regarding their concerns.

As a program designed to promote innovation, Project XL has attracted a wide diversity of projects. Sponsors of projects range from manufacturing facilities and university labs to municipalities and military installations, with projects spanning from pollution prevention to air pollution control to urban redevelopment. Communities in which projects are located are similarly varied, ranging from very rural to very urban. Stakeholder groups are at times small, homogenous communities and at other times a rich diversity of competing interests and perspectives. Projects are located in EPA regions from across the United States.

Not surprisingly, the approaches used by project sponsors to involve stakeholders varies considerably as well. While EPA policies and guidance documents establish a common basis for designing these processes, the guidance provides considerable latitude. As a result, project sponsors work with stakeholders in very different ways.

We are left, then, with several important questions related to program flexibility, expectations of stakeholders and project sponsors, and barriers to effective involvement. These questions include:

- *Flexibility in process design:* To what degree of specificity should EPA policy delineate stakeholder involvement processes? How much flexibility should be afforded project sponsors? How can EPA most effectively promote best practices in the design and implementation of stakeholder processes?

- *Expectations of stakeholders and sponsors:* Under existing EPA policies, are stakeholders afforded opportunities to participate that are coincident with their expectations, concerns and stake in the outcome? How does this mesh with the concerns of project sponsors? How can EPA most effectively facilitate productive relationships between stakeholders and sponsors?

- *Barriers to effective involvement:* Can we identify specific characteristics of stakeholder involvement processes that contribute to or block effective involvement and satisfaction with that involvement? What might EPA do to reduce the impact of these barriers?

These questions frame our evaluation of the Project XL stakeholder involvement processes.

Approach to Evaluating Stakeholder Involvement

Researchers with the Southeast Negotiation Network evaluated the eight XL projects presented in this report in 1999. The cases were selected to clarify the purposes, techniques and impacts of stakeholder involvement at various stages of decision-making. The projects assessed included Andersen Corporation, Atlantic Steel Site (Jacoby Development), CK Witco (previously Witco and OSi Specialties), Exxon/Mobil (Sharon Steel Superfund Site), HADCO, Intel, New England Universities Laboratories, and Vandenberg Air Force Base.

For each case, the evaluation team interviewed participants in the stakeholder involvement process. For the eight cases, interviews were conducted with over 75 community representatives, company sponsors, EPA staff, local and state government agency staff and other stakeholders.

Major Findings

The Need for Flexibility

While some XL projects attract strong interest on the part of many stakeholders (e.g., Atlantic Steel), others attract little concern from stakeholders other than government agencies (e.g., Vandenberg Air Force Base and HADCO). More commonly, projects may attract varying degrees of concern from different stakeholders (e.g., New England Universities Laboratories attracted little participation from either neighbors of the labs or environmental activists, but considerably more from potentially affected laboratories).

A number of factors help shape the demand for stakeholder participation. These include the proximity of the stakeholders to the project site, the potential impact of the project on specific stakeholders, the trust afforded to the sponsor and EPA, the relationship that existed between the sponsor and the stakeholders prior to the Project XL application, the perceived desirability of the

project, the technical complexity of the project, the potential for setting precedents, and the scale of the stakeholder groups.

Each of these factors is important to the design of stakeholder involvement processes. Thus, flexibility is needed in the design and implementation of stakeholder processes if those processes are to respond effectively to differences in local context and concerns. EPA's policy to provide overall guidance while permitting considerable latitude in process design therefore seems appropriate.

At the same time, while flexibility is needed, EPA policy appears to provide too much discretion to project sponsors. In particular, the policy does not delineate criteria for determining which stakeholders should be afforded what levels of involvement. This can engender significant tension when the expectations of the stakeholders for involvement in the process exceed the willingness of project sponsors to involve these stakeholders.

Project XL stakeholder involvement processes are designed and implemented by the project sponsors. Within the eight XL projects evaluated for this report, over half of the sponsors developed involvement processes that primarily sought to share information with stakeholders, while a smaller number sought to promote dialogue or to build consensus with stakeholders. In most cases, the differences in levels of involvement bear a reasonable relationship to the context and preferences of the stakeholders for participation. But the cases also show that the predilections of the sponsors to involve stakeholders, as well as the ability of the sponsors to design and manage more complex forms of participation, also play an important role in shaping the levels of participation.

EPA's guidance documents for stakeholder processes contribute to expectations on the part of some stakeholders as to their influence over project decisions. Stakeholders who seek active involvement and a voice in XL project decisions read the EPA criteria as allowing them a choice as to their level of involvement. At the same time, XL project sponsors feel they have the responsibility and authority to design processes. Consequently, some stakeholder processes are designed in ways that do not meet stakeholders' expectations for involvement.

Differences in expectations between sponsor and stakeholders are by no means unique to Project XL. Differences in interests often lead to differences in perception and expectations in stakeholder involvement processes. Yet two aspects of this problem stand out. First, greater attention to the design of the stakeholder process and to the development of clear goals for the process will provide a more solid foundation for managing the involvement processes. Second, EPA often has more incentive to design and implement effective participation processes than do project sponsors. In particular, the person best positioned to assess the adequacy of the stakeholder involvement process is the regional EPA project coordinator assigned to oversee the project.

EPA minimum standards for stakeholder involvement, particularly as interpreted by the regional XL project coordinators, appear to be the most important external impetus to the sponsor for designing participation processes. But the influence of EPA project coordinators over stakeholder processes is used sparingly. Often, EPA personnel felt that more full participation would have been desirable. But while EPA personnel felt free to insist on minimal standards of

acceptability, they rarely pressed for levels of participation not clearly required in the guidance documents.

Two dynamics seem to contribute to project coordinators' hesitancy at promoting more effective participation processes. First, as environmental specialists, project coordinators are primarily concerned with improving environmental quality. Moreover, they rarely are trained in stakeholder involvement processes, and are therefore less confident of their judgements in this arena. In practice, then, coordinators are often cautious in their promotion of stakeholder processes.

Second, the requirements of the Federal Advisory Committee Act (FACA) add to the uncertainty of project coordinators. Advisory committees established by federal agencies must meet a wide array of FACA requirements associated with public notice, composition, and process design and implementation. If EPA directly organized XL participation processes, FACA would apply. Since many of FACA's requirements are designed for large-scale advisory processes, these requirements would be difficult to meet in the case of XL projects. Project XL guidance documents therefore give responsibility for stakeholder involvement processes to XL project sponsors, and not EPA. At the same time, guidance documents establish criteria for effective participation. Yet, from the perspective of many EPA coordinators, project sponsors remain solely responsible for the design and implementation of the stakeholder involvement process. This limits the willingness of project coordinators to press for substantial improvements in process design, even though they could exercise influence through their review of the project sponsor's adherence to participation guidance criteria.

What can be done to balance these conflicting concerns within EPA? To begin with, EPA has already made significant progress in clarifying the role of stakeholder processes in XL project development, and in providing clearer guidelines for process design and implementation. In addition, EPA could provide project sponsors with more concrete assistance in the design of effective processes. Effective design helps operationalize EPA criteria in the context of a particular XL project. Moreover, project sponsors appear to be more open to suggestions early in the process, before they are committed to a particular approach to public involvement. Since process design requires more expertise and experience than regional EPA staff are likely to possess, EPA Headquarters will need to work more closely with project sponsors and regional EPA project coordinators to provide such assistance early in the process.

Stakeholders' Expectations and Concerns

Stakeholder involvement processes are designed largely by project sponsors, and the resultant processes are mostly geared toward meeting the sponsor's needs. Sponsors that must negotiate with stakeholders over potentially conflicting issues or sponsors that are high profile companies that seek to build good working relationships with their constituencies develop more sophisticated processes of involvement. Sponsors with more localized constituencies and with less controversial projects involve non-agency stakeholders later in the process and in more limited ways.

Sponsors often envision the primary objective of the stakeholder process as building legitimacy for the proposed project, rather than interactively working out problems that emerge from the project. Negotiations occur rarely except between project sponsors and regulatory agencies, or informally between sponsors and specific interest groups. The primary emphasis is on transparency, with project sponsors (often based on EPA project staff advice) acting to provide information to the community, and checking to make sure that no significant opposition emerges from stakeholder groups.

A large proportion of participants in the stakeholder involvement processes interviewed were satisfied with the projects set forth in final project agreements. Most participants were also satisfied with their roles in the processes, even though these roles were often limited to information exchange or commentary. However, in XL projects where important differences in interests and perspectives existed, stakeholders were less satisfied, often insisting that more dialogue and consensus-based processes were needed. In these cases, expectations of participants exceeded that of sponsors with regard to citizen involvement in decision-making.

Overall, satisfaction with participatory processes depended primarily on three variables: 1) the willingness of project sponsors to involve stakeholders at a level consistent with the stakeholders' concerns and expectations, 2) the consistency between the stakeholders' expectations as to their influence over decision-making and the stakeholders' perception about their actual impact, and 3) the level and efficiency of effort required to participate.

The degree of community involvement is often, but not always, related to the degree of community concern and the potential impact of the project on the surrounding community. In communities where desire to participate is low, sponsors have little incentive to actively engage stakeholders. More active involvement processes are usually found in communities with active concerns. Yet, projects that elicit a high degree of community concern and that have greater potential for negative impacts on stakeholders do not necessarily develop processes that encourage greater participation. Stakeholder involvement is also linked to the local and regional politics of the project. Sponsors of complex and potentially conflictual projects may well design processes that bifurcate stakeholders in ways that allows for more direct involvement of parties with the power to block the project, and less direct involvement of impacted stakeholders who lack that power.

From the cases examined, sponsors are most likely to design interactive, dialogue-based forums for participation when the proposed project affects a clearly recognizable community of stakeholders, those stakeholders are capable of organizing, and the stakeholders are important constituencies of the project sponsor.

XL participation processes that promote acceptance of project agreements and satisfaction with participation processes exhibit several shared characteristics. Successful processes clearly present the intent of the sponsor as to the purpose of the process and its impact on decision making, effectively identify participants who represent the range of stakeholders and community interests, and effectively design processes of participation that remain open and transparent to stakeholders, resolve stakeholder concerns where possible, provide for fair opportunities for participation, and efficiently use the time and resources of stakeholders, government agencies and sponsors.

In several projects, neither the project sponsors nor EPA personnel involved in the projects had specific training or experience in developing stakeholder involvement processes. In these cases, project sponsors designed involvement processes that lacked clear structure and objectives, were reactive rather than proactive, and fostered stakeholder expectations that were inconsistent with process design.

Barriers to Effective Stakeholder Involvement

XL stakeholder processes face a number of obstacles. The significance of the obstacles vary by whether the involvement process was designed to promote consultation and consensus building, or sought a more limited goal of exchanging information between the sponsor and stakeholders.

In consultative and consensus building processes, the two most significant barriers to effective participation include time commitments required to participate and the capacity of stakeholders to understand and verify technical issues. Time commitments are a problem, particularly for community representatives, because meaningful consultation and consensus building are often time consuming. Technical issues further complicate these processes because most XL projects involve a variety of complex technical decisions. When stakeholders trust the sponsor, they often simply accepted explanations provided by sponsors and EPA. However, when stakeholders either do not trust the sponsor or disagree with the sponsor's conclusions, participants need better access to and more capacity to verify the conclusions drawn from technical data. This often creates conflict, since few participants have the skills and resources needed to verify information independently from EPA or the sponsor.

In information exchange processes, the most significant barrier to participation is the design and implementation of the process. While some information-exchange processes are systematically designed, most have no clear plan of action. In the absence of systematic approaches to encourage information exchange, efforts to communicate with and to elicit responses from stakeholders often produce little result.

Other findings of interest include the following.

- Efforts to focus the XL project meetings exclusively on XL issues often frustrated stakeholders. This was particularly true when stakeholders were primarily concerned with issues associated with, but not directly caused by, the XL project.

- Few processes actively involved national groups. Moreover, in projects where national groups were included, the interaction between local and national stakeholders was very limited. In most cases, national groups chose to conserve their resources by providing written and verbal comments instead of directly participating, or to not participate at all. At the same time, processes were rarely designed to provide efficient opportunities for involvement by national stakeholders, and a few created impediments to direct involvement.

- Management of meetings was rarely seen as an issue in and of itself. Issues concerning the management of meetings were almost always linked to larger issues of process design and implementation.

- Finally, participation dropped significantly during the implementation phase.

Strategic Findings and Opportunities for Improvement

1. Link goals, roles, expectations and resources through effective process design.

The stakeholder involvement process within Project XL requires considerable flexibility to meet the diverse needs of different projects. At the same time, flexibility can contribute to a significant gap between the language incorporated into EPA's guidance documents and the standards applied in local processes. On the one hand, the guidance documents set a goal of providing stakeholders with a choice as to how they wish to participate. On the other hand, the program requirements allow project sponsors to delineate the range of options available to stakeholders, as well as who has access to which options. As a result, expectations of participation at times exceeds opportunities for participation.

To maintain flexibility while promoting more effective participation, greater care is needed in the design and early implementation of the participation processes. Sponsors (and EPA) should implement more systematic convening processes, in which the needs and concerns of the various stakeholder groups are identified, potential representatives are selected, and the stakeholder involvement process is appropriately designed.

A well designed process helps clarify the goals of the process and the roles of the various parties and stakeholders. This in turn provides a more realistic basis for stakeholder expectations and helps identify resources needed to implement the process. Effective convening is made even more important by EPA's attempts to streamline the XL process. Streamlining increases the speed at which timely involvement processes must be developed and implemented.. EPA's recent provision of facilitation services for initial Project XL stakeholder meetings is a step in the right direction, but a more systematic approach to convening, process design and early facilitation services is needed.

2. Develop incentives for more meaningful participation.

Consider that XL projects are experiments, designed in part to help EPA and sponsors understand the impacts of innovative environmental protection strategies. In this light, stakeholder processes are meant to promote learning by holding decision making and outcomes open and accountable. Yet, stakeholder processes will contribute to innovation and learning only if they are designed to do so. In practice, this implies that processes should promote creativity and openness to new ideas. Most participants in these processes, however, are less concerned about experimentation than about specific outcomes in their community, and are reasonably risk averse in the way that they relate to other parties to the process. In particular, many project sponsors see

little to gain from conducting innovative stakeholder involvement processes, or from developing the expertise necessary to design and manage an innovative process well.

To date, EPA's efforts at improving stakeholder processes have focused on making it easier for well-intentioned project sponsors to design better processes. This support has included guidance documents that delineate best practices and funding for facilitation to help initiate processes. While this support is valuable, in the absence of more clearly delineated incentives or procedures, Project XL sponsors will often provide stakeholders with limited opportunities for involvement within cautiously scripted processes.

3. Promote facilitative leadership within EPA.

One of the most important opportunities for improving stakeholder processes lies in developing facilitative leadership within EPA. Facilitative leaders enable other parties to work more effectively together to achieve goals shared with the facilitative leader. For XL projects, EPA staff can facilitate effective innovation by clearly envisioning and guiding the design and implementation of effective stakeholder processes. These skills are particularly important in projects where highly diverse stakeholder groups express competing interests and concerns. Often, project sponsors respond well to EPA when knowledgeable staff act to expedite new working relationships between project sponsors and the communities of interest that surround their projects. However, most EPA Project XL coordinators are not specifically trained in the stakeholder process skills needed.

EPA staff currently receive limited training in team-building. More is needed. First, EPA staff need the skills to build effective teams that can internally resolve issues between team members, and then clearly and consistently communicate EPA goals and concerns to stakeholder groups. Key EPA staff also need rudimentary process design and consensus building skills in order to promote more proactive leadership on the part of EPA staff in the community. Attention should also be paid to the clear communication of technical information to lay audiences in XL projects.

On-the-job consultations are also needed. Project XL involves a wide range of projects and project personnel. The personnel must draw on skills appropriate to the context and conditions of the XL project in which they are working. Because XL processes are idiosyncratic, personalized consultations are likely to prove highly useful to EPA staff. Project XL therefore needs to maintain process-competent staff within EPA Headquarters and Regions who can respond to the specific needs of EPA project coordinators and staff as XL stakeholder processes unfold.

4. Develop clearer guidance on how best to involve national stakeholders, particularly in strategically directed XL projects.

The Project XL program is increasingly identifying projects for consideration based on strategic concerns with industrial and commercial sectors. Recently, for example, many XL projects have clustered into sectors such as bio-reactor, paper and pulp, and POTW operations.

By combining the experience of several individual projects into an assessment of the sector as a whole, EPA staff hopes to raise the potential for innovation.

At the same time, systematic participation will become more important as Project XL increasingly works on strategic issues. Because sectoral issues involve efforts to generalize from several specific XL projects to sector-wide issues, mechanisms for incorporating national stakeholder groups into this process of evaluation and generalization should be developed. Such efforts may also provide a more effective means of focusing the concerns of national stakeholder groups onto issues of national importance.

5. Systematize and share the experience of past XL projects to improve future efforts.

EPA has worked hard to learn from past XL projects and to communicate that learning to sponsors, EPA staff and stakeholders in newly developing and ongoing XL projects. These efforts should continue. Specifically, evaluations of past XL stakeholder processes, including this one, should be used to develop more concrete advice on how to manage different configurations of projects, sponsors and communities. What are the essential differences between working in communities with considerable shared experience compared to communities with highly diverse stakeholders? How do Project XL coordinators build consensus within EPA itself? Efforts to answer questions such as these should allow for flexibility, but sketch out possible answers in sufficient detail so as to encourage project participants to explore alternatives.

6. Examine the impact of the Federal Advisory Committee Act on efforts to promote stakeholder participation in innovative and experimental processes.

The Federal Advisory Committee Act seeks to promote well-considered relationships between federal agencies and advisory groups. The requirements, however, often conflict with goals of innovative and experimental processes such as Project XL. The practical result of such requirements is that EPA does not initiate nor manage stakeholder processes within such programs, but rather requires project sponsors to do so.

Yet, more direct EPA involvement in the design and management of stakeholder involvement processes would go far in resolving some of the issues raised in this report. EPA should examine the impact of FACA on the capacity of the agency to develop innovative participatory processes. If appropriate, the agency should propose amendments that would promote more effective stakeholder involvement in programs such as Project XL.