



# The Economic Impact of COVID-19 on Navajo Small Businesses

NAVAJO NATION  
DIVISION OF ECONOMIC DEVELOPMENT  
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# INTRODUCTION

The Navajo Nation reported its first case of COVID-19 in March 2020 and President Nez declared a state of emergency on March 13th, 2020. However, by May of 2020, the Navajo Nation surpassed New York state and New Jersey to have the highest infection rate in the United States. Throughout much of the early months of the pandemic, Navajo Nation enacted strict measures to curb the spread of the virus and protect the health of their communities. The Navajo economy was faced with shelter-in-place and lockdown orders, including the closure of all non-essential businesses, closure of schools and other community centers, ban of large events, and mandatory curfews spanning weekday evenings and entire weekends.

While Navajo families and communities suffered a devastating amount of loss, there is also a story of Navajo strength and resilience during the ongoing pandemic. The Navajo Nation garnered media attention early in the pandemic for its high infection rate but has since come together in public health efforts to achieve one of the highest vaccination rates in the US and infection rates that are a fraction of those found in neighboring Arizona and New Mexico.

As the Navajo economy emerges from the pandemic closures and presses toward reopening, the Navajo Nation Division of Economic Development (NNDED) is tasked with understanding the impact of COVID-19 on the Navajo small business community, the larger Navajo economy, and the near- and long-term policy solutions that would place the Navajo economy on a path to recovery and sustained economic growth.

## 1.1 OBJECTIVE

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The aim of this research is to not only understand the impact of the COVID-19 crisis on the Navajo business community and provide potential ways forward that would support and speed up recovery, but also acknowledge the critical issues facing the business environment to facilitate economic growth beyond the pandemic. This analysis explores both near-term recovery strategies as well as policy prescriptions

for sustained, economic growth of the Navajo small business sector. Illustrative questions include:

- 1. How is COVID-19 impacting the Navajo business community?** Implementing a meaningful and sustainable response to the pandemic means developing recommendations that speak to the Navajo culture and experience. How are its people and business community currently responding? What was the state of the economic environment going into the crisis? What is the role of the government, tribal enterprises, industrial, commercial, and arts sectors in facilitating recovery beyond the crisis?
- 2. What actions can the Navajo tribal government take to support the immediate recovery of the Navajo business community and ensure that this support stays within the Navajo community?** Identifying the appropriate support structures and services means understanding the pain points for Navajo business. It is critical to explore what businesses need to weather the crisis and how this support needs to evolve as the timeline for recovery becomes clearer. Additionally, emphasizing a Navajo driven recovery by ensuring that Navajo financial support stays within the community can provide another outlet for supporting local business.
- 3. How can Navajo policymakers guard against returning to “status quo” and use this moment as an opportunity to create sustainable, long term economic growth?** True economic recovery will not be about returning to the previous way of doing business, but instead focus on adjusting and thriving in a “new normal”. This would mean that government, business leaders, and wider business support associations stand to play a large role in innovating and adjusting to help the Navajo nation business community adapt while still holding on to its cultural values and unique identity.





# METHODOLOGY

## 2.1 SMALL BUSINESS DEEP DIVE

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As part of it is Navajo Nation-wide assessment of COVID-19 and its effects on the small business community, Causal Design with Change Labs conducted interviews with small business owners, including sole proprietors, across sectors including tourism, retail, artisanship, agriculture, and "professional services" (which included, for example, IT consulting, welding and construction, and facility maintenance, among others).

Causal Design conducted 18 interviews, in total, spanning people working in the sectors described above, as well as across the Navajo Nation, geographically, with responses coming from: Kayenta, Shiprock, Chinle, Window Rock, Tuba City, and the immediate surroundings of these locations.

In sum, the 18 interviews were coded based on types of responses, yielding 352 total "excerpts" which were used to organize and analyze responses. References to "mentions," "excerpts," or "coded responses" may include a number, which reflects its frequency among the total number of coded responses (25 mentions out of a total of 325 total mentions, for example). These numbers have no statistical significance, of note, but are referenced in order to provide a general sense as to whether a response was common or more unique.

The overall low numbers make characterizing sector-specific experiences more difficult, though where there are consistencies in responses, these are reported. The feedback from interviews does allow for both broad and nuanced observations of the small business community on Navajo, some of its core attributes, as well as some critical challenges facing them both every day, and with respect to COVID-19 re-openings. These are explored in detail in this report.

## 2.2 MARKET MAPPING

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In addition to the qualitative interviews with business owners across Navajo Nation, the analysis also explored relationships between market inputs and outputs across key sectors of the Navajo economy.

This analysis uses an adapted version of the Emergency Market Mapping and Analysis (EMMA) methodology. The EMMA methodology is an approach to assess market systems in post-emergency contexts that offers a systemic and comprehensive understanding of the constraints and capacities of critical market systems. It is used by relief agencies to understand, support, and make use of local market-systems to improve relief responses.

Using this methodology, the research team has created maps of value chains of small business sectors to identify and understand relative trajectories of economic recovery. While it is assumed that all businesses were adversely affected by the onset of the pandemic, it is likely that the path to reopening and resuming regular economic activity will require different approaches based on what constraints remain. It will also be our goal to assess how COVID-related constraints exacerbated existing historical challenges and the degree to which any proposed solutions should focus on underlying issues as opposed to those brought about by the pandemic.

The key outcomes of the market mapping analysis are to 1) identify constraints and their likely impact to the market; 2) summarize impact of crisis, identify current critical bottlenecks, assess market capacity to respond to current issues; and 3) discuss tradeoffs between market support options and feasibility to make recommendations.

The key sectors analyzed in this report are tourism, food and hospitality, and retail businesses, including the myriad of artisans that make up Navajo businesses. The information for the market mapping activity was provided by RBDOs across the Navajo Nation, including Western, Eastern, Ft. Defiance, and Shiprock, as well as by an in-house business coach at Change Labs.





# PRIMARY TAKEAWAYS

## 3.1 HUMAN AND BUSINESS TOLL OF COVID-19

**While the pandemic and its ongoing effect on the Navajo small business community continues to be significant, there are limited sources of formal networks of business support for entrepreneurs.**

The first and foremost finding of this research was the depth of loss on Navajo businesses, families, and communities caused by the COVID-19 pandemic.

The most frequent response in interviews (with 51 mentions), cutting across all business types and locations, was to our inquiry over the “direct effects of COVID-19.”

These mentions describe the loss of each direct family members, relatives, and clients. These also included devastating accounts of business losses, whether the loss of bookings for an entire year, the closure of restaurants that a farm had been servicing, or the loss of customers and clients from when retail space or flea markets closed. Artisans also lost commissions when museums closed, and even IT support work dried up as offices closed indefinitely.

Overall, the “direct effects” responses paint a grim economic and emotional picture (though again the resilience demonstrated by interviewees was extraordinary, which is discussed later). However, a minority of respondents (12 responses were coded for “unanticipated positives”) were able to

point to tangible silver linings from this experience (i.e., business-focused positives, versus spiritual or philosophical silver linings, which most respondents could speak to). These included updates to websites and the embrace of more technology in general to market and sell to clients online, market research and revised business strategies to regain lost business and grow upon re-openings and applying for loans

and grants that were used for online education, and business mentorship.

Of note, **while the small business owners interviewed demonstrated resilience in the face of such obstacles and commented that they had often received or provided family and community support, no respondent could point to a formal or even informal network of similar businesses to rely on to share their experience**

**or receive guidance from.** One respondent in agriculture referenced following more established farms on Facebook and emulating some of their adaptations, but otherwise respondents interviewed were unaware of any organized business association or sector-oriented support groups that might provide mentorship, resources, or even camaraderie.

*“Basically, my business shut down. Everyone stopped working, all my quotes for hardware’s went down. And I kind of wasn’t doing too good...”*

— Professional Services respondent from Window Rock

*“I lost a mother, a sister-in-law, a grandson, and others, really affected me – I lost a lot of relatives. But I had to keep going. My children are not in the business with me and I am here alone learning how to do everything with the business. It was a mental and emotional struggle to lose family members, but I pulled through...”*

— Retail service provider in Kayenta

### 3.2 DOING BUSINESS ON NAVAJO REMAINS ONEROUS

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#### **Existing challenges to doing business contribute to a negative perception of how government institutions deprioritize small business needs.**

As noted previously, most respondents cited the overall business environment (42 mentions) as an onerous one, compounding their experience and complicating both their business as usual, and their recovery. When the codes “perceived barriers” (38) and “NNDED or NN-specific observations” (42) are included, approximately one-third of all responses in some way reference the business environment and challenges to doing business effectively, though this includes excerpts that are coded multiple times. Moreover, some observations cannot be corroborated and may reflect personal opinions more than objective fact, though steps were taken when interviewing to probe for examples and limit conjecture. Nevertheless, it is clear from most responses that operating a small business on Navajo remains a challenge. Several respondents suggested that they would stop working on Navajo Nation and pursue work off-reservation unless things changed considerably.

While previous research has outlined some of the most problematic constraints on business owners on Navajo Nation, such as availability of workspace or struggling with to contend with Navajo bureaucratic processes, the qualitative evidence collected for this report validated how these daily struggles for Navajo entrepreneurs were compounded by the COVID-19 pandemic.

Table 1: How Small Businesses Feel About Working with the Navajo Nation Government

#### **ILLUSTRATED OBSERVED ISSUES FROM RESPONDENTS**

##### **Difficulty engaging government support**

- Inconsistency of responses across Navajo Nation government offices
- Long waiting periods for contract signing execution with the Navajo Nation government

##### **Inability for bureaucratic system to adapt to business needs**

- Repeated denial of permits for new business operations, particularly recreation-based operations for which there is no precedent or clear paperwork
- Lack of ability to create new available retail space of suitable properties



### 3.3 EXPERIENCE WITH ACCESSING AID AND ASSISTANCE WAS MIXED

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#### **COVID-19 response measures were well received, but were mired by existing challenges of working with the Navajo Nation government.**

While most respondents, consistent with the above comments, relayed negative experiences in accessing aid and assistance through the Navajo Nation (30 responses were coded as "accessing assistance: challenges"), a significant number also reported positive experiences with the same process (20 mentions).

Some challenges could have been anticipated. These include limited internet access, online application pages timing out during the application process, or the inability to save applications to return to later. Other limitations, according to respondents, include:

- "Intimidating" or inaccessible language that, by itself, turned away would-be applications.
- Complicated instructions, and inconsistency in who qualifies for assistance.
- Causal Design/Change Labs itself observed inconsistency in who received aid (self-reported) across similar businesses.
- Shifting Deadlines
- Confusion over how the money should (or is required) to be spent and any reporting requirements.
- Human interactions over the phone were either impossible or unproductive (questions were not answered, interactions were confusing or brusque).

Responding to the COVID-19 pandemic requires an enormous amount of coordination among health professionals, varying levels of government, and community leaders to ensure the health and safety of Navajo communities. In many

respects, Navajo leaders responded strongly to the pandemic with shelter-in-place movements and accelerated vaccination schemes to protect Navajo lives. Initiatives were put in place to allocate funds to needed areas of the economy. Some respondents described positive experiences accessing aid/relief resources, though many of these responses referred to either CARES Act funding, unemployment insurance or assistance, or support received by local organizations who assisted with the application process, or who provided

grants and assistance of their own design. Other respondents specifically referred to small business and artisan relief grants through NNDED.

However, at least by the perspective of interviewed business owners, lost in that coordination was robust support for the Navajo small business community. The same bureaucratic struggles that business owners report facing for everyday business activities seemingly translated into the NNDED-supported small business and artisan grant program. While having the availability of relief funds is a positive step towards supporting recovery of the business community, making these resources more accessible through transparent processes is vital in maximizing their impact.

*“I called the Window Rock department of resources ... but no one answered the phone. I tried emailing and didn’t get a response – figured they were busy with other applications, and I felt it was pointless to continue to try. Wish they had more people to assist through the process...”*

*– B&B owner near Kayenta*

*“(I had) issues with uploading and broadband – couldn’t do it. I had to get up at 2 am to upload the schedule C. Took me days to upload it. No bandwidth (everyone is online).”*

*– Artisan near Kayenta*

Table 2. Applications Overview

	NUMBER OF APPLICATIONS	PERCENT OF APPLICATIONS
<b>Navajo Artisan Relief Grant</b>	4,568	72%
<b>Navajo Business Relief Grant</b>	1,774	28%
<b>TOTAL</b>	6,342	100%

Additionally, this analysis was partially informed by the incomplete grant applications data provided by NNDED. This data showed a total of 6,342 applications for relief, 72 percent of which were for the Artisans relief fund while about 28 percent were for the Business relief funding.

When considering the geographic breakdown of application types, approximately 37 percent of applications came from off reservation individuals. Approximately 17 percent of applications came from Fort Defiance area, 14 percent from Western Agency/Tuba City, 12 percent from Northern Agency/Shiprock, 10 percent from Central Agency/Chinle, and 10 percent from Eastern Agency/Churchrock.

While Eastern Agency, Fort Defiance, and Off Reservations communities showed relatively equal number of applicants for both artisan and business relief, Shiprock and Tuba City had slightly more applicants for business relief than artisan relief, while Chinle had slightly more applicants for artisan grants than business relief grants. Approximately 41% of off reservation applicants came from border communities such as Gallup (17 percent), Winslow (7 percent), Farmington (6 percent), Page (6 percent), and Flagstaff (5 percent). 15 percent were from other large urban centers near Navajo Nation such as Albuquerque (8 percent) and Phoenix (7 percent).

The data shared shows the application status of every application started by applicants and reinforces the finding Across both grant types, approximately 11 percent started their applications but did not complete the application, while 9 percent had their application returned to them. This suggests that a substantial portion of grant applicants, approximately 18 percent of artisans and 25 percent of businesses, had difficulties successfully completing their applications. It may be the case that some of the individuals who only started their applications or who had it returned to them may have eventually successfully completed their applications, however, this analysis was unable to compute how many applicants this might apply to.

Figure 1: Percent of Funded Grants per Agency

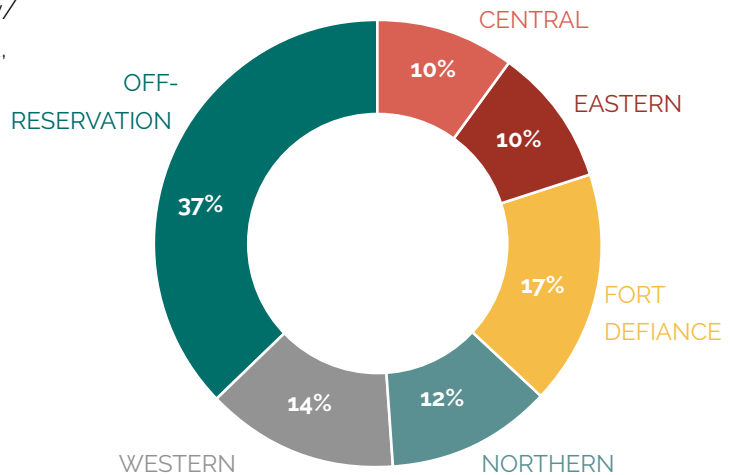


Figure 2: Percent of Business and Artisan Grant Funding by Agency

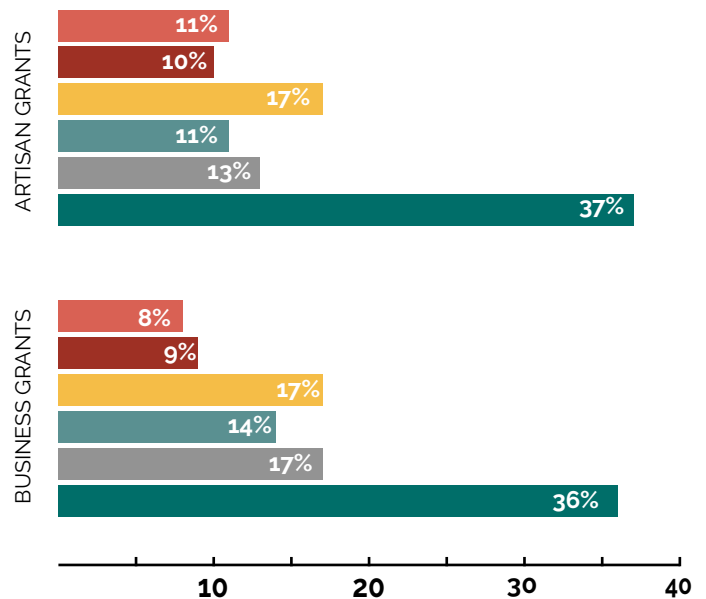


Table 3. Artisan and Relief Grant Detail

	ARTISAN RELIEF GRANT		BUSINESS RELIEF GRANT		TOTAL	
	No.	%	No.	%	No.	%
<b>Funded</b>	3,208	70%	1,094	62%	4,302	68%
<b>Application Rejected</b>	489	11%	227	13%	716	11%
<b>Started</b>	499	11%	223	13%	722	11%
<b>Returned to Applicant</b>	334	7%	214	12%	548	9%
<b>Grant Offer Accepted, pending disbursement</b>	33	1%	16	1%	49	1%
<b>Grant Offer Declined</b>	5	0%	0	0%	5	0%
<b>Total</b>	4,568	100%	1,774	100%	6,342	100%

### 3.4 USE OF AID AND ASSISTANCE WAS CRUCIAL TO BUSINESSES, AND HOUSEHOLDS BY EXTENSION

**Unambiguously, any assistance that was received was considered hugely valuable by respondents.**

Only 20 responses (again of 352, total) were coded under “use of aid/assistance,” underscoring the variability experienced by respondents in accessing and receiving assistance. When it was received, cash assistance was most often used to invest in the business, pay bills (both personal and for business), and cover expenses or substitute for lost wages. Responses include:

- “We used some of that to keep our employees there like bonuses and stuff...” -Professional services provider, Window Rock
- “I paid my employees with that money – paid them to redo the shop (for a month and a half) to get ready for reopening...” – small retail business owner, Kayenta
- “Money also went directly into purchasing supplies to make goods as well (necklace was cited). The aid was appreciated and helped –

it played a role, we won't get back what we lost, but it was a help to me and my husband...”  
-Chinle artisan

- “We could pay our bills and not cringe when the mortgage came in. It was really helpful. That (dollar amount) was really a life saver. It covered the several months that nobody was there...”  
-Vacation rental operation, near Tuba City
- “Most of the money went into building hogans and upgrading restrooms/showers. Built decks for canvas tents. 1/3 went to bills. Since we had down time (with no business) it made sense to finish the projects...” -B&B owner near Kayenta

Other indications of how cash assistance was used includes marketing equipment and infrastructure for online sales (iPads, Square credit card readers, computers), online courses related to the business (in agriculture, specifically), inventory, sanitizing equipment, and website development.

On average, Artisan grant recipients received \$4,904 in relief grants while business grant applicants received approximately \$11,747.



Table 4. . Mean Amount Offered by Geography and Grant Type

	ARTISAN RELIEF GRANT	BUSINESS RELIEF GRANT	TOTAL
<b>Western/Tuba City</b>	\$4,973	\$13,633	\$7,671
<b>Fort Defiance</b>	\$4,896	\$11,478	\$6,763
<b>Off Reservation</b>	\$4,918	\$12,725	\$6,658
<b>Northern/Shiprock</b>	\$4,897	\$9,887	\$6,388
<b>Eastern/Churchrock</b>	\$4,903	\$9,898	\$6,031
<b>Central/Chinle</b>	\$4,788	\$9,953	\$5,919
<b>Total</b>	\$4,904	\$11,747	\$6,650

### 3.5 SMALL BUSINESSES FACE COMPOUNDING CHALLENGES

**The challenges brought about by the pandemic to sectors across the Navajo Nation small business community are across a broad range of fronts and will likely require coordinated efforts across government.**

#### SUPPLY CHAIN LIMITATIONS

The pandemic had varying degrees of impact on the supply chains that businesses use to source inputs for business activities and on the channels where they normally reach their customers. This analysis identified these constraints as a major burden on businesses through its qualitative interviews with business owners directly, and further explored these through its market mapping activity.

Many of the respondents in qualitative interviews described business operations that did not rely on critical inputs from either on- or off-reservation suppliers. This was most common among vacation rental operations which were family-run. These operations do virtually everything themselves, whether shopping, cooking, providing tours, or renovating or constructing new units, though these same respondents did acknowledge the elevated cost of construction materials, currently.

But this is not the case for everyone, and several

businesses described limited supplies as a major stumbling block in their recovery. While feedback overall was limited, making broader trends difficult to discern, artisans, construction, and retail operations appear to be most hamstrung by limited supplies and inflated costs. Though farming and other professional services are also affected. For example:

- "That is one of our biggest perils we see. We deal with a lot of metal (from suppliers) ... If we didn't check it and the order wasn't right, it cost more man hours to send the materials back. It started to cost us more labor hours because we didn't have the materials to work on certain dates. It seemed like majority of the time it was out of our control ..." – Construction operator, Tuba City
- "I get supplies from the Arts and Crafts enterprise (NGO) Rio Grande company (Alb), and Gallup NM for raw materials. A&C was closed through most of the pandemic, 25% capacity through May – couldn't order anything. It was very difficult, with jewelry you need to touch the product, you can't just order (you might get junk). It affected the business quite a lot not to be able to do that..." -Artisan, Chinle
- "Laptops are really big right now. We are having the biggest supply and demand chain issue

for microchips which is affecting back orders for everything cars, cell phones, and the price of things are going up. I'll quote (client) and the turnaround is anywhere from 60 days to 6 months. There is a large back order. It's still affecting me." – Consultant, Window Rock

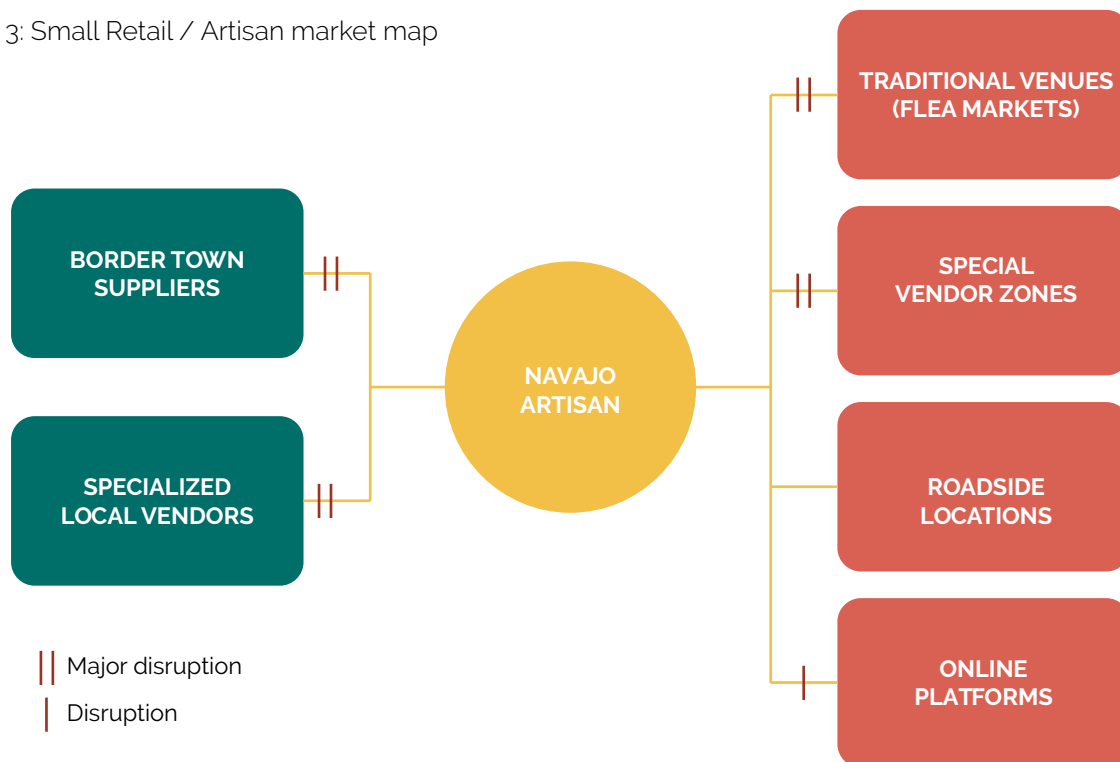
- "Bringing in compost from Flagstaff, and renting a truck to bring it in. Water is a big issue; hauling water; the communal well has run dry – going into Holbrook or Winslow" -Farmer, Dilkon
- "The price of flowers tripled ... We can't sustain or offer what we used to. Gas prices also fluctuate (which affects shipping of flowers)..." – Retail business owner, Window Rock

## **ONGOING UNCERTAINTY OVER ECONOMIC REOPENING**

Only one respondent suggested that she would not reopen until she could secure supplies, and that she would have used funding or COVID relief for such supplies but did not receive it, though several expressed hesitation over the future of their business. While descriptions of "immediate next steps to open" were overall few (only 13 coded responses), respondents generally demonstrated their grit and resiliency, again, by describing changes to their operations, strategies, diversification efforts, and increased marketing and outreach, to survive. Despite significant setbacks, most small business owners displayed a significant level of determination and perseverance.

Of note, many respondents expressed some level of frustration with the duration and extent of COVID-19 restrictions on Navajo, even if overall lauding the response. It is difficult to be more precise based on qualitative feedback, but there is a sense that ongoing restrictions, despite high vaccination rates, were perceived as the last barrier in the way to small businesses recovering, over which there is no control. Ultimately, even with financial assistance, small businesses will suffer, and likely fail, without a more normal operating environment.

Figure 3: Small Retail / Artisan market map



### 3.5.1 CHALLENGES BY KEY SECTORS

#### MAPPING SUPPLY CHAINS BY SECTOR: ARTISANS

The following sections map supply chains to analyze these disruptions at the sector level. The first of which is the artisan community that exists on Navajo Nation. Casting a broad net, Navajo artisans produce metal and beadwork jewelry, pottery, baskets, rugs, sandpainting, among other artworks.

Artisans and the larger retail community source most of their supplies from suppliers located in border towns or in larger nearby cities such as Albuquerque. Interviewed artisans reported that the stores had closed or were operating at a very small capacity for much of the pandemic, limiting artisans' ability to source materials. Additionally, some inputs for artwork have the unique constraint that they largely need to be purchased in person. For example, for traditional beadwork, artisans need to see and touch the raw material beads before purchasing to ensure their quality. Business closures, as well as the limited movement on Navajo Nation due to shelter-in-place orders, and the increased risk of exposure in border communities and other cities, all constrain artisans' ability to access inputs for their businesses. A smaller portion of the business community also access inputs

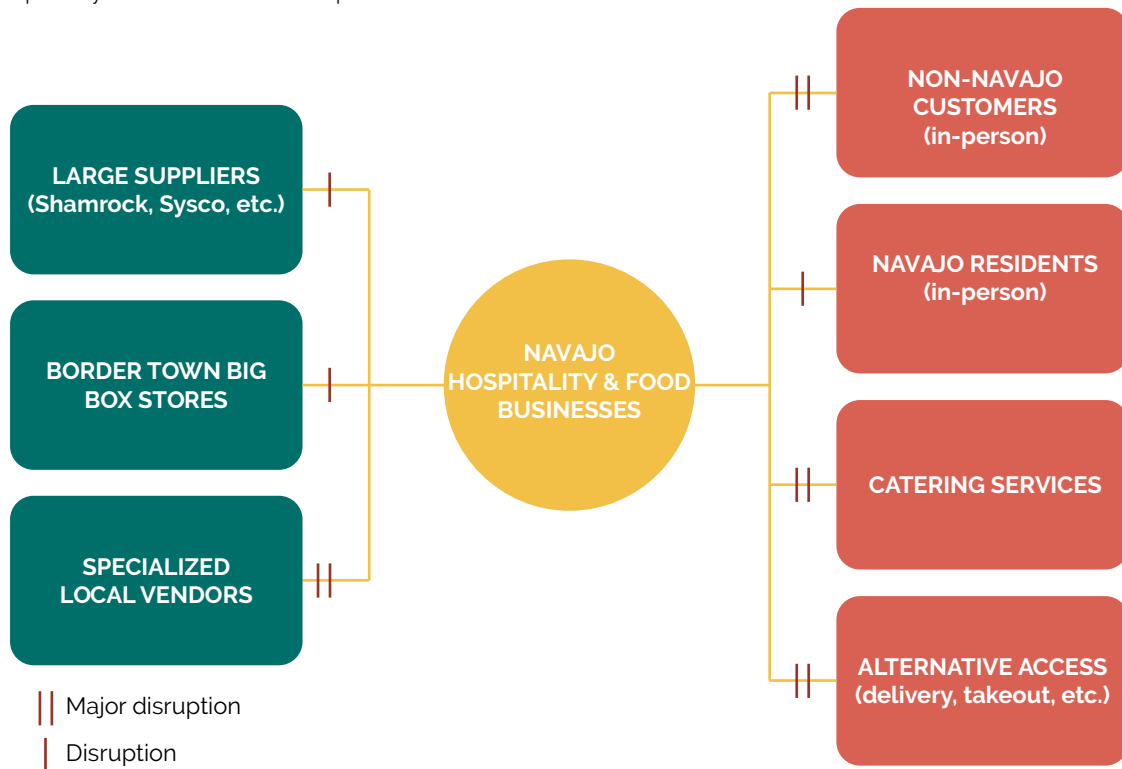
from specialized vendors, which depending on their location may have been less accessible, particularly if they operated locally and were located on the Navajo Nation.

While, in theory, there may have been no barriers to being able to access customers through informal roadside stands or through online platforms, a significant portion of artisan sales revolve around access to customers through flea markets and special vendor zones, such as those associated with historical sites, or those connected with seasonal fairs. Broad closure of flea markets and fairs on the Navajo Nation resulted in high levels of disruption for the artisan community.

Vendor coordination for reopening will vary by place of sales. Coordination for reopening for local artisan vendors at flea markets will go through the relevant Navajo Nation Chapters, whereas vendors on the Navajo Nation Tribal Parks will work with NN Parks and Recreation. Moving forward to reopening, another factor flagged by RBDOs is that the length of the shut down for businesses caused a lot of people to lose their transportation due to repossession, and would constrain artisans ability to effectively market and sell their product.



Figure 4: Hospitality & Food market map



### MAPPING SUPPLY CHAINS BY SECTOR: FOOD AND HOSPITALITY

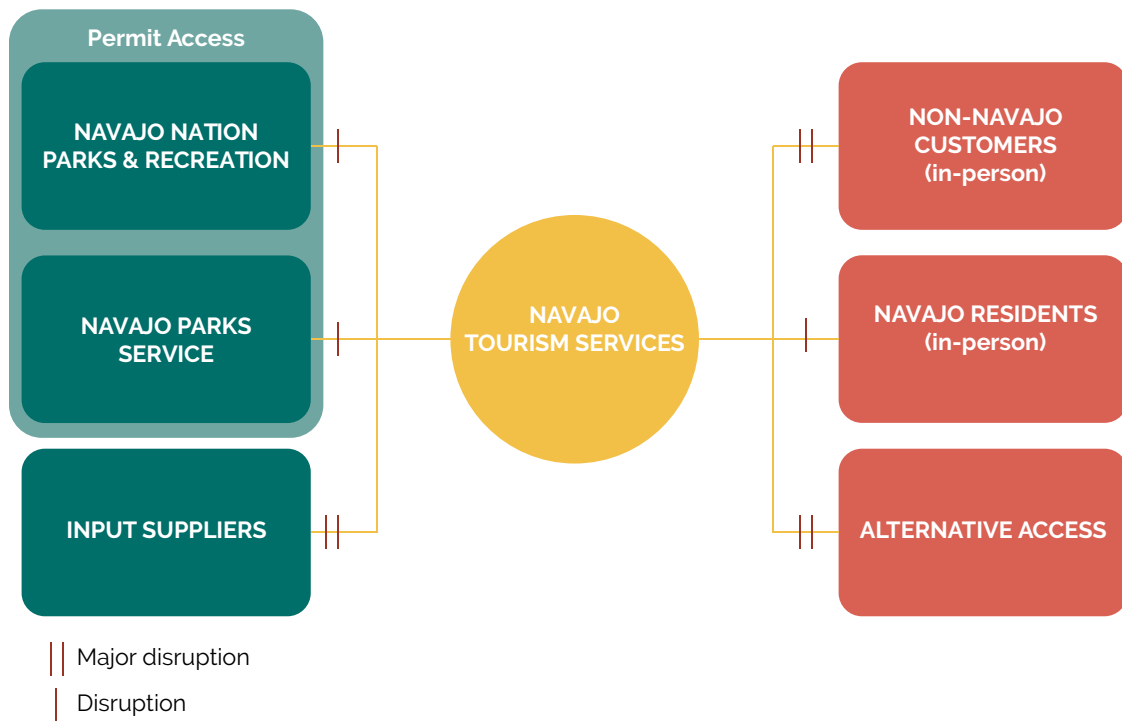
At a general level, access to materials and goods needed to operate day to day function does not seem to be hindered further by limits brought on by the pandemic. Businesses still retain the same level of access they did to large distributors, such as Shamrock and traditional big box stores like Sam's Club. However, access to some goods specific to the pandemic, such as sanitary equipment and paper goods, were often out of stock at the typical big box stores in border towns, and evening online ordering put limits on the amount of purchasing and prices went up for these types of goods. Additionally, any access to specialized local vendors on the Navajo Nation was unavailable.

In contrast to the relatively limited disruption to inputs, the food and hospitality industry experienced high levels of disruption on the latter ends of their supply chains that deliver products to customers. Travel restrictions in place effectively remove the ability for Hospitality and Food service business to serve non-Navajo residents. It is assumed that revenue from

non-Navajo visitors was a large source of income for many small businesses within this sector. While there was the possibility that businesses in the sector, particularly food service, could shift to a local population base (Navajo residents), this has only been a recent possibility given stay at home orders and general business closure were enacted at the outset of the pandemic. These orders also limit the ability for food service to explore alternative ways of reaching local markets such as through contactless take-out or food delivery models. Additional social pressure may also prevent customers and business from moving towards more normal operations.

An additional consideration relevant to businesses with business site leases is that Navajo Nation government services ceased the processing of pending leases, while lease payments for those with current leases were still enforced even when businesses were forced into closure, and so many businesses have fell behind on payment, while there has not been relief offered for BSLs.

Figure 5: Tourism Services market map



### MAPPING SUPPLY CHAINS BY SECTOR: TOURISM SERVICES

The primary supply in question when looking broadly at the tourism industry is the ability to access special cultural, historical, or recreational areas and provide a range of tourism services. Given the suspension of services by the Navajo Nation Parks and Recreation in distributing permits and the likely limitations in services from the National Parks Services and other state entities, the ability for businesses in this sector is highly restricted.

Compounding supply issues, the tourism industry is highly reliant on the movement of people on- and off- of the Navajo Nation. As in the hospitality and food sector, the inability for non-Navajo Nation residents to visit and access popular tourist destinations cuts businesses off from their largest source of revenue. While recent relaxation in restrictions to movement have been lifted for Navajo residents, it is unlikely that the demand for tourism services will shift to the local population.

# POLICY RECOMMENDATIONS

The main outcome of this report is to draw on the qualitative data collected by business owners themselves and the exploration of key markets to produce actionable policy recommendation for NNDED and other relevant Navajo policymakers. The following section outlines several recommendations for recovery of the small business community on Navajo Nation and sustained economic growth. An important note for this research is to also recognize an understanding of the position of the Navajo Nation government, its people, and the larger culture at play. Navajo aims of sovereignty and self-determination require that regardless of policy approaches adopted, it is critical that measures reflect distinct Navajo values and cultural practice. While many of these recommendations call for an evolution or modernization of practice, these aims should not be interpreted as mutually exclusive to the greater Navajo identity and that success of adoption is reliant in part on finding ways to integrate the two.

The illustrations to the right captures key areas where the Navajo Nation government can contribute to facilitating the recovery and sustainability of the small business community. The recommendations leverage the primary findings of the research and offer an initial starting point for adapting and evolving current recovery and economic support initiatives.



**IMPROVING THE  
BUSINESS  
ENVIRONMENT**



**PROVIDING  
DIRECT TO  
BUSINESS SUPPORT**



**PROVIDING  
SECTOR SPECIFIC  
SUPPORT**



**ADDRESSING  
LONG-TERM  
BUSINESS RESILIENCE**

#### 4.1 RECOMMENDATIONS SPECIFIC TO THE NAVAJO NATION DIVISION OF ECONOMIC DEVELOPMENT

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The following section outlines recommendations that the Division of Economic Development could undertake internally along three of the four key areas, specifically: business environment support, direct to business support, and long-term sustainable growth.



#### BUSINESS ENVIRONMENT IMPROVEMENT

There are immediate measures that can improve the operating environment for Navajo businesses while they recover in the short term. NNDED can undertake the following to strengthen reopening efforts and recovery across the broader small business community on Navajo Nation.

##### ► **Coordinate a collective marketing campaign for reopening**

Each sector mapped in the report shared a high amount of disruption to delivering products and services to their end customers due to COVID-related restrictions, largely due to the closure of Navajo roads and tourism attractions. A significant number of businesses, from tourism to food and hospitality and local artisans, heavily rely on non-Navajo customers as a source of revenue. As of July 2021, the Nation's roads are reopened to Visitors and Tourists, all Navajo Nation enterprises and Navajo businesses are open to Navajo citizens and non-Navajo tourists and visitors, in compliance with COVID-19 safety protocols.

Navajo Nation could consider coordination between main tourism businesses and the Navajo Tourism Department to communicate reopening, encourage the return of non-Navajo tourists, and establish streamlined safety protocol that will allow sustained visitation.

##### ► **Support the development of sector-specific small business networks and associations**

In tandem with dedicated call centers, officially recognized associations that facilitate larger economic coordination within and across sectors could provide a means of access to vital gaps in information and support for entrepreneurs. Our research suggests that sectors vary considerably in terms of their ability to mobilize such resources. As a result, it is recommended that offices like NNDED work closely with established support networks, such as Chambers of Commerce and Regional Business Development Offices to fine tune their reach. NNDED could consider leveraging partnerships with existing business support groups, such as the Dineh Chamber, to build out a sustainable framework for small business networks and associations.



While NNDED has already supported a direct to business grant program for artisans and small businesses, the following section outlines improvements to those systems that NNDED can make immediately to any additional direct support made in the future with ARPA funds.

► **Establish transparent and simple support systems**

In future support mechanisms for small businesses, simplifying the process and making it accessible for business owners is vital to maximizing its impact. Many businesses owners reported difficulty navigating complex language, changing portals and applications, and receiving guidance for grant applications. As the delta variant introduces more uncertainty around reopening and the ability for businesses the make ends meet, future grant or loan assistance should be easily accessible.

► **Create a dedicated support center for assistance**

Many businesses interviewed for this report indicated a lack of communication with key agencies for support on how to access support. NNDED could consider establishing a temporary, Dedicated support center for future grant support or other COVID relief related matters. NNDED could also look to partner organizations, such as Change Labs and its network of other business support organizations, to help implement this recommendation.

► **Design grant applications with back-end data analysis in mind**

Future grant applications also represent an immense opportunity for Navajo Nation to collect data on businesses which may have been operating informally or for which NNDED might have had limited data on previously. Future applications for direct support should be designed with an eye towards future use of this information to inform data-driven policies. Application framework and questions should aim to capture data around business size, function, or other key indicators NNDED deems important for analysis. This also includes designing the survey with back-end cleaning and analysis in

mind, including the limitation of free response boxes, which make data more difficult to use for analytical purposes. Lastly, there are several instances in which doing business on Navajo is unique to the business experience off the reservation, and as such, the application will likely need to reflect the nuances of the Navajo business experience, such as difference in mailing address vs. area where business is conducted, the fluidity between border towns and Navajo Nation borders, and the level of informality of Navajo businesses.



## LONG TERM BUSINESS RESILIENCE

While this report focused mainly on how businesses are coping with the current constraints presented and compounded by the COVID-19 pandemic, it also has an eye toward how Navajo Nation can utilize this moment to emerge with a more resilient, vibrant business sector for sustained economic growth. The section outlines some key areas that NNDED could use to improve the business experience on Navajo Nation.

### ▶ **Streamline processes and access to information**

As identified in previous research conducted in the Doing Business on Navajo Nation report, the effort required to open and maintain a business on the Navajo Nation puts a considerable burden on small businesses that formally register and pay taxes to the Navajo Nation government. The economic stresses brought about by COVID-19 further exacerbate what was already an arduous process for potential entrepreneurs. Identification of duplicative and unnecessary process is vital, not only in terms of reducing inefficiency and unneeded bureaucracy, but also reducing burden on government itself to work under limited and less than ideal capacity.

### ▶ **Expedite digitization and modernization of business processes**

Arguments for improved and streamlined processes often go hand in hand with calls for modernization of practice. An important caveat to recognize, however, is that modernization undertaken without addressing core inefficiencies have the potential to exacerbate issues felt by the small business community, especially given that broadband infrastructure and access is still limited for parts of the Navajo community. It is highly recommended that as NNDED carry out policies that require more use of online features that these efforts go hand in hand with deliberate measures to reduce process and time, as opposed to creating bureaucracies and perceived hoops and regulations for the business community to go through. Also, ensuring that online portals and tools themselves are intuitive and accessible should also be prioritized. This can be

done by integrating user-focused design processes and thinking in the delivery and roll out of services.

## 4.2 RECOMMENATIONS REQUIRING COORDINATION ACROSS THE NAVAJO NATION GOVERNMENT

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In addition to recommendations that can be implemented by the Division of Economic Development, there are areas where collaboration across a number of government actors, tribal policymakers, or partner organizations might be necessary to improve the recovery efforts of the small business economy on Navajo Nation.



### BUSINESS ENVIRONMENT IMPROVEMENT

Improving the operating environment for businesses for immediate recovery will engage a number of actors across Navajo Nation in partnership with Navajo Nation. The following section outlines the additional steps NNDED can take with partner agencies and other tribal policymakers to lower uncertainty for business owners.

#### ▶ **Continue communication around reopening**

As vaccination rates continue to increase and the potential for reopening becomes more likely, it is imperative that businesses can plan their reopening with the most amount of certainty possible. The Navajo Nation currently has an easily accessible COVID-19 dashboard and reopening plan on their website. This plan utilizes a color system ranging from critical restrictions to low restrictions. The website states that the Nation's status will vary over time and will depend on several gating criteria and other public health considerations which indicate how well COVID-19 on the Nation is contained and how well the Nation is able to manage it. The gating criteria for reopening includes criteria of case numbers, testing, and hospital capacity. Additionally, the website also shares policies and procedures to prevent spread of COVID-19 at places of business.

Continuing to articulate a clear, well-communicated strategy for reopening allows businesses to plan to the best of their ability. This research acknowledges the inherent uncertainties that come with navigating the COVID pandemic. However, the best way that the tribal government can support small businesses through this time is to transparently display their plans and decision-making processes around reopening to enable business owners to create structured plans for their own businesses. This will include coordination with Navajo Health, who makes recommendations around reopening, and direct communication with decision makers of reopening, such as President Nez.



## DIRECT TO BUSINESS SUPPORT

While direct support so far has focused on NNDED's grant program, there are additional measures that NNDED can take with partner organizations and universities to support business growth on Navajo Nation.

### ▶ **Engage and partner with organizations and universities to increase business education**

Business education will be an important component of creating a vibrant Navajo-owned economy of growing small businesses. NNDED can partner with local universities, such as Diné College and Northern Arizona University, and other existing business support organization such as Change Labs and its partners, to offer business education services such as business planning, accounting, computing, etc.



## SECTOR SPECIFIC SUPPORT

Ensuring that sector and industry specific challenges are met will help guarantee that larger efforts at providing small business support do not ignore different priorities. Even the relatively small scope of sectors covered by the research conducted here already uncovered different priorities areas for focusing immediate support. In both cases, however, the ensuing uncertainty brought about by the pandemic and the implications appear to be the largest causes of concern for business owners.

### ▶ **Create financing solutions for sectors with supply chain disruption**

Sectors that rely on the regular purchase of supplies and goods, such as food service, hospitality, retail, and artisan and craftwork are likely to be significantly impacted by costs related to limitations in supply chains and inflation. These factors will bring about conditions where maintaining or restarting business activity will further strain already depleted financial resources. Access to additional financial support and products to offset these costs will be major factor in determining the potential of reopening for sectors that fall under this circumstance. NNDED should work closely with other levels of government to explore option for providing additional grant or loan support where needed.

### ▶ **Facilitate access to permits**

Sectors with lower variable costs such as the tourism service industry draw the bulk of their uncertainty from their inability to access zoning and permitting needed to operate their business, as well as from the reduced level of visitor traffic to the Navajo Nation. To the extent that NNDED can facilitate it, once rules allow for non-Navajo visitors to reenter the Navajo Nation, there should be a process to facilitate access to permits that balances the ability for businesses reopen with compliance to existing and future health and guidance. Given the demonstrated difficulty in getting clear information reported in the study, even ensuring that information is immediately accessible and available could improve the prospects for business in these sectors.





## LONG TERM BUSINESS RESILIENCE

Additional to the steps NNDED can take to create an environment for long-run business growth on Navajo Nation, this report has identified a number of barriers to doing business on Navajo Nation that constrain economic growth. Addressing these constraints will likely require a collaboration of tribal policymakers, Navajo agencies, and other relevant actors. However, relieving these constraints on businesses will likely have long-term positive effects on small businesses ability to grow and thrive on Navajo Nation.

### ► **Create easier access to land for business purposes by identifying and limiting the number of procedures necessary for land acquisition**

Land tenure and administration on Navajo is a complex system, resulting from a complex history of Anglo-colonization and a fight for restoration of sovereignty over the Navajo homelands. The land system involves actors ranging from local chapters to tribal government, to US federal agencies. The central tribal government manages much of the land allocation process, with approval by local communities and oversight by the Bureau of Indian Affairs. It is often cited in academic literature on the business environment on Navajo and in anecdotal stories by business owners on Navajo Nation as one of the most prohibitive barriers to successfully establishing and operating a business on the Nation. This will include coordination across several different agencies and actors involved in the Navajo business site leasing process, including local RBDOs, Navajo Nation Fish and Wildlife, Heritage and Historic Preservation Department, Division of Economic Development (NNDED) Department Manager, NNDED Division Director, Division of Finance, Department of Justice, NNDED Approving Committee, Real Estate department, and the Office of the President and Vice President.

### ► **Prioritize investment in broadband infrastructure**

The COVID-19 pandemic placed severe constraints on people's ability to move and physically gather

for business purposes. This disruption had further increased the importance of internet connectivity for businesses to market and sell their goods and services. Access to reliable, high-speed internet will soon be, if not already, a prerequisite for businesses to grow and thrive in any circumstances. A failure to address the need for connectivity on Navajo Nation will likely leave Navajo businesses at a distinct disadvantage for long-term growth.

# CONCLUDING NOTES

## **5.1 DATA ACCESS**

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This analysis, while informed by the willingness of Navajo business owners to share their time and experiences with the research team, is largely lacking quantitative data that could have drastically improved the type of analysis provided in this report. At the outset of this research, multiple data sources were considered when the research objectives and plan were formulated. Due to a variety of reasons, none of this data came to fruition to be included in this analysis.

The broader point that this concluding note would like to draw attention to is the opportunity that Navajo Nation has to enable future analysis by working to ensure greater accessibility to data. This includes creating systems that create the ability to gather, store, and share data in a way that enables tribal employees and future commissioned reports to provide the most meaningful and substantive analysis possible to guide Navajo policymaking.

## **5.2 NAVAJO BUSINESS OWNERS**

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When relatively limited responses are further broken down for analysis, as was done here with the goal of discerning tangible findings, the larger picture, tone, and urgency in the responses of those interviewed can be unintentionally muted.

This report has tried to distill feedback from those who volunteered their time to speak with us and share their experiences. In doing so it has highlighted both practical, and at times more structural challenges that small business owners contend with. It should not be overlooked, however, that the sum of responses arguably more clearly demonstrates a diverse, pervasive, focused population of small business owners who are contributing to the Navajo economy in meaningful ways on a daily basis.

These same small business owners have just experienced a traumatic last 1.5 years, both personally and financially. It is on the one hand testament to their grit that they have persevered and have for the most part overcome the challenges, if only just. On the other hand, the tentative nature of these businesses, and those trying to start or grow one but who feel stymied, even opposed, underscores just how critical the small business community is to economic development on Navajo.





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