

CHANGE LABS AND CAUSAL DESIGN

Improving the ease of doing business on the Navajo Nation

Doing Business is a methodology and tool used by the World Bank to objectively measure business regulations across 190 countries around the world. Doing Business takes all the factors that a business owners would need to consider in the process of starting and operating a business, such as registering as a corporation, getting a location, enforcing contracts, or paying taxes, and benchmarks the business regulations that influence those processes. It measures how complex a process may be, how long it takes, how much it may cost, and if the regulations in place have specific qualities that have been shown to facilitate beneficial business activity. It is used by policy makers around the world to guide how they can create more economic opportunities in their communities.

We adapted this type of analysis to understand the business environment facing Native entrepreneurs while also capturing the unique context of doing business on the Navajo Nation. We completed this analysis in two hubs of economic activity on Navajo Nation, Tuba City, AZ and Shiprock, NM, as well as the border town of Cortez, CO as a point of comparison. Here is a summary of the results.



Starting a Business

Starting a business takes a similar number of steps on Navajo compared to in Cortez. However, **it takes 7x as long** to complete those steps on Navajo compared to Cortez. It is also **2-3x more expensive** to start a business on Navajo.



Certifying a Business

Certifying a business is a **straight-forward** and **inexpensive** process. It requires checks by five different Navajo Nation government offices. While processing time should be two weeks, hold ups at these various departments **often elongates the amount of time** it takes to become certified as a Navajo- or Native-owned business.



Accessing Land

Accessing land on Navajo requires **4x as many procedures**, resulting in a process that is **6x as long and 1.3x times more expensive** than accessing land in Cortez. Additionally, the land administration system on Navajo is significantly less transparent than in Cortez.



Dealing with Construction Permits

Navajo Nation does not have a system for reviewing building applications and permitting for privately pursued construction. As a result, private contractors may deal with **less bureaucracy**, but experience higher levels of **uncertainty** and mixed outcomes of buildings standards.



Paying Taxes

The total tax burden is significantly lower on Navajo compared to Cortez. However, it does take **longer to prepare and pay taxes** on Navajo due to the lack of automated processes and online infrastructure and a higher frequency of payments.



Getting Electricity

Getting electricity on Navajo requires **2 fewer steps** than in Cortez, but it takes **6.5x as long and is 4x as expensive**. In terms of quality, the average NTUA customer does not experience a higher frequency of power outages than a customer of the Cortez utility provider, but when an outage does occur, it takes **90x longer** to resolve on Navajo than Cortez.



Enforcing Contracts

Resolving a commercial dispute takes almost **two full years** on Navajo. The time length of trials exacerbates the cost of a trial, especially with respect to attorney fees, to be upwards of **85% of the claim value**.

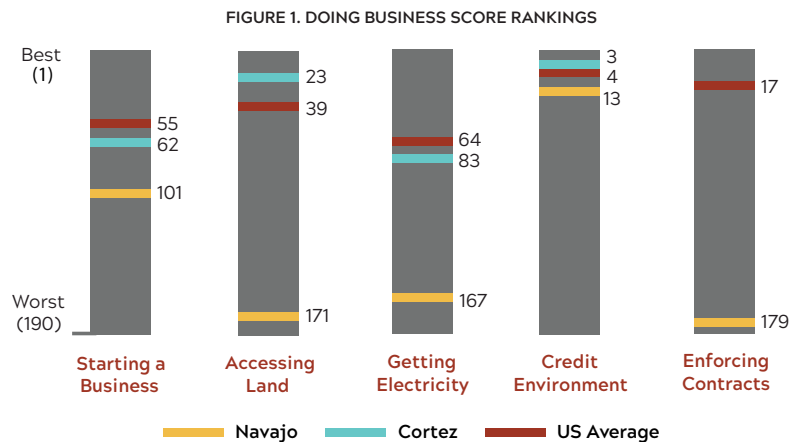


Credit Environment

Navajo's credit environment, governed by the Navajo Uniform Commercial Code, has **9 of the 12 protections** for both lenders and borrowers that have been shown to facilitate lending in economies around the world. Despite this, there are still additional constraints on credit access that this analysis discusses in further detail.

How does the Navajo Nation compare globally?

Five indicator sets, starting a business, accessing land, getting electricity, the credit environment, and enforcing contracts, are calibrated into Doing Business Scores which can be compared not just to Cortez, but to 190 economies across the globe. The most glaring comparisons come from accessing land, getting electricity, and enforcing contracts. Across these three areas, Navajo ranked in the bottom 15 percent of countries. This means that **it is more difficult to access land, get a new electrical connection, or enforce contracts on the Navajo Nation than almost anywhere else in the world.**



How do we improve?

Doing Business on the Navajo Nation includes key recommendations to improve the ease of doing business on the Navajo Nation. Visit **nativestartup.org/doingbusiness** to see the full list of recommendations as well as the the detailed research.