

## **INNOVATION IN THE CONTEXT OF A DEVELOPING COUNTRY: A CASE OF GROUP HOUSING PROJECT**

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### **Abstract**

*This paper presents a case of group housing project that was new of its kind implemented in the underdeveloped economy of Nepal. The concept of the project as a whole has been taken as a contextual innovation because of its newness and uniqueness in the context of the country at the time of implementation. This study presents a detail account of the project implementation emphasizing the challenges faced by the involved key parties. It provides important insight into the project which eventually proved to be a significant and successful initiating push in triggering a promising new real estate sector in the national economy. Qualitative approach was used for the research in which the main instrument for collecting primary data was face-to-face semi-structured interviews with the key people involved in the project. The findings have been presented in terms of the categories of challenges as the initial perceived constraints, management level challenges, and project level challenges.*

**Keywords:** Innovation, group housing project, project implementation challenges, underdeveloped economy, Nepal.

### **BACKGROUND OF THE NEPALESE HOUSING SECTOR**

General features of Nepalese housing sector in urban area can be explained on the basis of its specific socio-cultural, economic, regulatory and physical aspects. Nepalese society is a multi-racial, multi-lingual and class-wise stratified society (Nepal, 2006). It is traditionalistic and relatively collectivistic, tilted towards high masculinity, high power distance and short-term orientation, and it prefers uncertainty avoidance (Agrawal, 2001; Gautam et al., 2005). Descended from the traditional feudal or semi-feudal values, the land and housing is taken as a major asset and as the symbol of economic well-being, prestige and the power of a family (Mathema, 1999). Almost all of the Nepalese families are paternalistic joint families characterized by the eldest male member as the head of a family (Pant, 2004).

Besides direct purchasing, the ownership of the land and housing in Nepal is inherited from generation to generation in a family. In the Nepalese tradition of family succession, all the male offspring are entitled to the parental property including land and housing (Chapagain, 2001). As the family tree expands and as the joint family gets divided into several other related joint families, the family owned land and housing also gets divided and distributed as per the number of male members in the family.

Probably because of the traditional value system, Nepalese people have a deep rooted preference on building their own independent house in their own land with their own resources (Bhattarai, 2002; SAMN, 2005; Sherchan and Lamsal, 2005). Procuring a house is therefore a long process with the owner's self involvement in purchasing land, building house by own resources in various phases and then in providing infrastructure and utilities services later. Such housing system is termed as the Owner Builder System (NSP, 1996), in which self-financing mechanism is the predominant form of housing finance (Hada, 2001). As such, about 92% of Nepalese households own their housing units, 5% are renters (pay rent) and 2% live on rent-free housing units (CBS, 2004, Vol. 1, pp. 27).

As in other developing countries, there is high attraction differential – in terms of infrastructure facilities, job opportunities and securities – between the urban areas, especially the Nepalese capital Kathmandu, and the other parts of the country. Such differentials have created high immigrant pressure in the capital. About 40% of the population in Kathmandu is migrants from outside (Shrestha, 2004), and it has highly increased the demand and value of land and housing in Kathmandu. As such there is a high deficit in the supply of housing in the capital – for instance there was shortage of about 300,000 units of houses in 2000, and it was increasing at the rate of about 7% per year (Hada, 2001; Bhattarai, 2002).

On the regulatory front, there are separate Nepalese land and property laws that guide the regulatory policies pertaining to the land and housing. However, the government policy in the zoning and distribution of land is not strong and clear. Furthermore, the state administration of land and housing standards are relatively relaxed, and till now there is no public sector housing programs or comprehensive/consolidated land development schemes – except some recent and limited land pooling and development attempts in Kathmandu (Oli, 2003; Spotlight, 2003) – that have facilitated access to housing or land to any class of people, rich or poor (Mathema, 1999).

The socio-cultural, economic and regulatory aspects have significantly influenced the physical development pattern of land and housing in Kathmandu. The “sub-divide and inherit” practice in Nepalese family, the preference of own separate housing, the owner builder system, the high demand, value and consequent shortage of land and housing, and the weak regulatory system are some of the main reasons behind the typical fragmented land distribution and haphazard housing development pattern in Kathmandu. The tendency of haphazard housing pattern is remarkably severe in the high value urban center such as Kathmandu (Spotlight, 2003). Consequently the government has been unable to provide adequate infrastructural facilities to the haphazardly developed housings. Infrastructural facilities such as access roads, drinking water, electricity, sewerage and waste water drainage, arrangement for solid waste disposal, and open spaces have been increasingly becoming deficient for dwelling units (NSP, 1996; Spotlight, 2003). At the same time the quality of housing itself is also not satisfactory – only about 41% of housing in urban area are of permanent type, whereas the remaining housings are semi-permanent, temporary, traditional, and squatter types (NSP, 1996).

## **THE INNOVATION**

The fragmented, haphazard, and low quality land and housing development pattern ingrained in the socio-cultural, economic and regulatory fabrics of Nepalese urban area has been a glaring example of the tragedy of the commons. There was an urgent need to reform the basic

concept of housing. However, changing the age old housing concept in the complex setting of urban area is a highly challenging task. In 1999, a Nepalese private business house came forward with a new idea of an organized group housing project in Kathmandu. The group housing project was a very important innovation in the whole concept of housing in Kathmandu (Humagain, 2001; SD, 2000). This significant housing concept innovation has been chosen for a detail case study in this research.

## **THE GROUP HOUSING PROJECT**

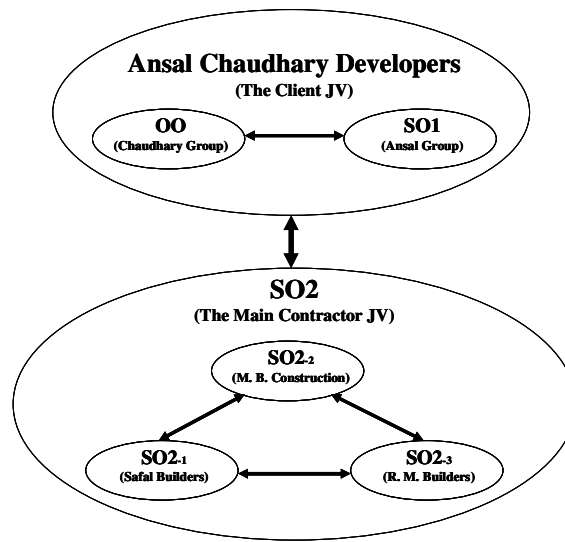
The organized group housing project which is the first of its kind in Nepal was named as “Kathmandu Residency”. It is basically an apartment-based housing project which is located at a suburb of Lalitpur District in Kathmandu valley. The project occupies about 1.76 acres (7125 square meters) of land in which a total of 145 apartment units were built. It is an integrated and self-contained residential complex which consists of a range of apartment types from studio apartment to one-bedroom, two-bedroom, and three-bedroom apartments with all the required amenities such as abundant water supply, sufficient electricity and power back-up, an efficient drainage system, private parking, 24-hour security, in-house club, crèche, convenient shopping and enough open spaces and greeneries. The total cost of the project was NRs. 300 million.

The Kathmandu Residency project was initiated by Chaudhary Group of Nepal in joint venture (JV) with Ansal Group Ltd. of India. Chaudhary Group is one of the big business houses of Nepal. The group is a conglomerate organization that accommodates more than 40 companies under its umbrella. Ansal Group Ltd. is one of the major Indian real estate and construction companies. The established JV Company was registered as Ansal Chaudhary Developers Pvt. Ltd. (ACDPL) in Nepal.

The ACDPL appointed a Nepalese local contractor company as the main contractor of the project. The local contractor company was a joint venture of three local contractors – M. B. Construction (an A-class contractor), Safal Builders (a B-class contractor), and R. M. Builders (a C-class contractor) – led by a Director of Safal Builders. The JV main contractor was selected by local tendering process and appointed on the basis of the cost plus fee contract. The ACDPL sought the function of construction from the market and appointed the main contractor. Another important function of architectural and engineering consultant was however internally arranged within the Ansal Group. The architectural and engineering consulting tasks of planning, designing, detailing and quantity survey of all the buildings and ancillaries of the apartment system were undertaken by the Ansal Group itself. All the designs, drawings and bill of quantities were supplied from the Ansal’s office in New Delhi. Supervision of the construction works were jointly done by ACDPL.

The client JV together with a set of terms and conditions of the alliance. The Ansal Group and Chaudhary Group had 51% and 49% of shares in the JV respectively. On the other hand the main contractor JV was formed with the alliance of Safal Builders, M. B. Construction and R. M. Builders. These three local contractors formed their JV with a formal set of terms and conditions, and agreed to work together with their informal agreement.

The Chaudhary Group which initiated the project was the Origin Organization (OO) (Dulaimi et al., 2003) of the innovation. The other parties – the Ansal Group, M. B. Construction, Safal Builders, and R. M. Builders – were the main Supporting Organizations (SOs) (Figure 1).



*Figure 1. The Key Parties in the Project*

## IMPLEMENTATION OF THE PROJECT

### Regulatory Backdrop

Before 1998 the Nepalese land and housing act was traditional one and it was primarily based on the individual or family ownership system. There was no national act that accommodates the concept of group housing. There was the law in vertical division system of land and houses, but there was no law that describes the horizontal division of land and houses. In 1994 a group of three local business houses came up with the idea of group housing in Kathmandu. The group was influential in the national politics and they were successful in raising the issue of group housing act in the parliament. However the process of formulating and enacting the new housing law took a long time, and it receded in the political turmoil of the country. Therefore the group had to abandon the group housing project they had conceptualized. They had even procured the land for the project, but they had to sell-off the land instead. The absence of the law and regulatory mechanisms led their innovative move into a failure.

Even though the first attempt was failed, it contributed in pushing and eventually producing the first laws and by-laws pertaining to group housing in Nepal. In 1997, Nepal Building By-Laws and Apartment Act were promulgated (NBBLAA, 1998).

### Formation of the ACDPL

After the law was enacted, the Chaudhary Group moved its step towards the concept of group housing project in Nepal. The President of the Group set up a separate task group under him including the experts in group housing from India. The task group started its work with the feasibility study of the project. The local market study and economic analysis of the project was conducted. The group housing practices in other countries were also observed by visiting

some of the successful projects in India, Thailand, Malaysia and Singapore. At the same time the task group sought an experienced business partner to undertake the project. It contacted several Indian real estate companies, and eventually it was successful to form a partnership with the Ansal Group. The partnership was formed on both the financial and technical parts of the project, and it launched the ACDPL JV.

### **Initial Marketing**

The initial concept and building designs were prepared at the design cell of the Ansal Group's Delhi office. Then the project was formally launched and publicized in the local media in 1998 as a new kind of housing system named Kathmandu Residency. As a part of the publicity, wooden show-piece mock-up apartment blocks were displayed for the marketing purpose. The initial marketing effort was successful in attracting the customers and they were willing to pay the booking advance which was 30% of the total cost of the proposed apartment unit. The ACDPL was successful in tapping a substantial amount of cash inflow from the booking advance.

### **Searching and Appointing a Main Contractor for Construction**

After formally launching and publicizing the project, detail designs, drawings and bill of quantities (BOQ) were prepared in Delhi. As per the design and BOQ, a tender was called in Kathmandu to select a main contractor who would undertake the whole project package. The tender form was distributed only to selected 11 local contractors including a Chinese one. The tender amount was about NRs. 90.8 million. The tender was eventually awarded to a Nepalese local contractor joint venture team on the basis of negotiated lowest bid. It took about six month, since the first lot of customers made advance booking, to appoint the Nepalese local contractor joint venture team as the main contractor of the project.

### **Receiving the Construction Permit from the Lalitpur Municipality**

After appointing the main contractor, the process of receiving the construction permit from the local Lalitpur Municipality was initiated. The ACDPL involved the main contractor with its project personnel in dealing with the Municipality. As it was a new kind of project for the Municipality, it took about a year to study and grant the construction permission.

### **Construction and Handover of the Project**

The construction of the project was started after the main contractor was assigned the job. As the Municipality took a long time to grant the construction permission, the construction was actually started before the permission was granted. The main contractor completed Block 1 to 8 within 18 months, Block 9 to 24 within 26 months, and the Block 29 to 32 within 29 months. The original schedule of the construction of the project was 24 month; however it was delayed for about 20 months. The remaining Blocks 25 to 28 and 33 to 36 were departmentally constructed by ACDPL specifically for the Chaudhary Group employees.

As the apartment units were completed with finishing, they were handed over to the customers who booked them. The occupying process of the booked and completed apartment units, and the construction of the remaining blocks went side by side. All the apartment units were fully occupied after six month of completion of the whole apartment system.

## **CHALLENGES FACED BY THE KEY PARTIES IN THE PROJECT**

### **Initial Perceived Constraints**

Chaudhary Group: As the OO of the innovation, the Group had to face several constraints before initiating the group housing concept. The constraints can broadly be explained in terms of the socio-cultural, economic, regulatory and physical aspects of urban housing in the Nepalese context.

The deep rooted preference of Nepalese people in building their own independent house in their own land with their own resources was a major perceived socio-cultural constraint in initiating the group housing concept in which people had to appreciate a different type of housing ownership system. The ownership of a space rather than a distinct piece of land and house, overlap in the private and common property, and the occupants' mandatory responsibilities on the common facilities management in the apartment system were some of the challenging aspects to be introduced in the traditional Nepalese society. Moreover, the psychological preference on the "self-built quality" may not readily appreciate the "quality built by others". Therefore the lack of trust of general Nepalese on the quality and reliability of a ready-made house was a potential constraint.

One of the underlying reasons of the preference on the Owner Builder System is the economic constraints in affording the cost of the whole house within one stretch of construction time. Building a house phase by phase as per the availability of money is a very common practice among general Nepalese. Because of such practice, owner has to directly get involved in building a house. In such economic setting, the low affordability of the Nepalese family was also an important perceived constraint in selling the ready-made apartment units at a full cost.

On the regulatory front, although the government had enacted the new housing act, it might not be complete and reliable as it was the first such act in the country. The government has a poor track record of drafting and implementing laws to cover new and potentially growing industries. Therefore the reliability and completeness of the government regulatory mechanism was also a potential constraint.

Physical infrastructure facilities – particularly water supply, sewerage and waste water drainage, and solid waste disposal – to be provided by the government might not be sufficient and reliable for the mass housing system. Moreover the narrow access road and the surroundings of haphazardly developed lands and housings around the project land might undermine the very concept of organized settings of the project.

Besides the above constraints, the unstable national political situation was a concern for all including the Chaudhary Group. The fluid political situation could disturb the project execution process and the confidence in the private sector investment.

Despite the constraints, there were some opportunities for the group housing project particularly in Kathmandu. At the socio-cultural front, there were certain segments of the society which prefer living in organized houses rather than the unplanned settlement in the city. Especially the modern and working families who do not have time to get involved in

building their own houses would prefer the ready-made ones instead. Economically such families can afford the apartment housing, or otherwise there was a high possibility that the local banks would come up with the provision of housing loans. As there was a high deficit in the supply of housing in Kathmandu valley, the housing and real estate market and thus its financing arrangement would shoot up once the organized development is triggered.

For the Chaudhary Group the prospect of housing market in Kathmandu was attractive amidst the inherent risks in the constraints. As the Group has a very strong corporate set-up in the country, it could manage the regulatory and physical constraints for the project.

Besides the above external constraints, the Chaudhary Group also had an internal constraint in the lack of core competency in the new business area of housing and real estate. In order to overcome this internal constraint, there was a way for the Group in seeking a partnership with a foreign JV partner who would be competent in the housing and real estate business.

Therefore with the market prospect and the possibility in acquiring the core business competency from a foreign JV partner, the Chaudhary Group considered that a medium size housing project would help fulfill their expected goals amidst the inherent risks in the constraints.

Ansal Group: In the proposed housing project, the Ansal Group had to share the same socio-cultural, economic, regulatory and physical constraints as the Chaudhary Group. Moreover the Ansal Group also needed to bear the risks in a foreign country such as local political, regulatory and social risks. However, the Ansal Group trusted the Chaudhary Group as a “reliable and resourceful” partner to share the risks in a foreign country’s new market. Therefore, with the perception of manageable constraints, the Ansal Group expected that its goal/s would be fulfilled with the project.

M. B. Construction, Safal Builders, and R. M. Builders: These three local contractors had the constraints of lack of technical and managerial capabilities in carrying out the relatively large size local project individually. Even though it was an A-class contractor, M. B. Construction could not bid for the project individually because during the tendering time its resources were diverted in one of its other projects for a long time. The contractor could not manage necessary resources to participate in the project individually. Safal Builders and R. M. Builders as B and C class contractors could not participate in the project individually. It is because according to the Nepalese Construction Enterprises Act 1998, the permissible range of bidding amount for class D construction firms was up to NRs. 3 million, for class C from NRs. 2 to 10 million, for class B from 6 to 30 million, and for class A any amount exceeding NRs. 20 million (CEA, 1998). However, when they together formed a JV company, they could bid for the project and eventually they were successful in winning the tender of the project.

### **Management Level Challenges**

Receiving the Construction Permission from the Lalitpur Municipality : The management of the ACDPL had to deal with the hurdles in receiving the construction permit from the Lalitpur Municipality, and it was a significant management level challenge for both the Ansal and Chaudhary Groups as well as for the main contractor JV.

As the project was the first of its kind for the Municipality, it had to study and work in detail on the project before granting the permit. The Municipality officials were adept in dealing with small scale individual houses, whereas it was a considerable task for them to scrutinize the larger project. The project had the built-up area of about 17,150 square meters with a larger requirement of infrastructure facilities. The project land was surrounded by about 285 numbers of neighbors. The Municipality had to inform and receive the “no objection” papers from all the surrounding neighbors. The public around the project site generally become sensitive when there is news of a large project at their place. It took time to convince the general public and it was quite a clumsy task to do so in the local context in Kathmandu.

Another site specific issue in the project was the high tension 64KVA electrical transmission line across the project land. The apartment blocks were designed with 6 feet clearance from the transmission line whereas it should be at least 27 feet by rule. This critical issue also delayed the Municipality process.

In order to avoid the delay in the project due to the Municipality hurdles, the ACDPL along with the leader of the JV main contractor lobbied directly to the Mayor. After much deliberation they were successful in creating a special understanding with the Mayor, with which the project team started the construction work before receiving the formal permission. The Mayor had to put a special effort in convincing its Municipality staff, Local Town Development office, and the surrounding neighbours for starting the construction at the project site. After a year of starting the construction, the ACDPL was eventually successful in receiving the permission from the Municipality.

### **Project Level Challenges**

After the construction was started, a series of challenges cropped-up in the project. All the parties in the ACDPL JV and in the main contractor JV had to face the project level challenges, some of which were critical for them.

The Main Contractor’s Cash-Flow Crunch: One of the critical challenges for the main contractor was the management of cash flow for the project. The local Nepalese contractors have very limited financial capability to participate in a large project. A reason behind the formation of the JV between the three contractors was to formally show that they were financially, technically, and experientially capable to undertake the project. However, among the three parties, there was an informal understanding that the Safal Builders would bear the major financial obligations for the project and the remaining two would provide other necessary input when-and-where they could. The team leader of the JV from the Safal Builders provided the 3% (NRs. 2.7 million) of the total contract amount (NRs. 90.8 million) performance bond bank guarantee from his side.

The construction was started with NRs. 2 million mobilization advance from the ACDPL. However, the main contractor team leader claimed that because of the ACDPL’s process of running bills payment, it was very difficult to manage the cash flow in the project. The total payment in each monthly running bill would be divided into two parts in the proportion of 75% and 25%. The Kathmandu ACDPL office would release the payment that amount to 75% of the running bill within 21 days of submission. For the remaining 25%, approval had to be granted by the Ansal Group’s Delhi office and it would again be cleared only after 21 days of submission. The main contractor team leader claimed that according to the agreement, the 75% amount should have been released within 7 days – but it was never done



so. The remaining 25% was also delayed for 3 to 4 months. Each running bill would amount to NRs. 2.5 to 4.0 million, and because of the payment delays, it was extremely difficult to manage the cash flow.

The main contractor's shortage of the cash flow created ripples effects in terms of the delay in payments for the labor gangs and the material suppliers. It also dissatisfied the M. B. Construction and the R. M. Builders as they could not get timely return on their resources and efforts in the project.

Exacerbating Political Turmoil in the Country : The cash flow delay with the main contractor was further exacerbated by the political unrest in the country. The infamous Royal Palace massacre took place within the first fourteen months of the construction period. The transportation of materials and labor from one part of the country to the other part used to remain frequently blocked for days because of the political turmoil during the construction period of the project. The shortage of labor and materials delayed the work of the main contractor. It generated stress in the project schedule and lessened the amount of the running bill. It also generated confusion and disappointment at the ACDPL side, and subsequently it further delayed the main contractor's payments.

Error in Quantity Estimate: While the infighting for the cash flow started between the main contractor and the ACDPL, the former party found a serious error in the quantity estimate of the Rebar (Reinforcement Steel Bar). The error was made by the quantity surveyors (QS) at the Ansal Group's consulting cell in Delhi office. The total quantity of Rebar in the contract package was 327 MT (Metric Tonne) whereas the actual requirement was 612 MT. The error in the BOQ (bill of quantity) of Rebar was suspected at the eighth month of construction time because the consumption at that time was 150 MT, much more than expected. The main contractor raised this issue to the ACDPL, and it conveyed the information to Delhi office. It took time to convince the Kathmandu ACDPL team, to convey the information to Delhi, to be checked and confirmed the error in the BOQ by the QS in Delhi, and to get approval in the revised BOQ. The Ansal Group's QS approved for 572 MT whereas the main contractor calculated 612 MT. The deficit of 40 MT was later compensated by the ACDPL. The error and delay in the amendment of the significant Rebar quantity estimate generated confusion and dispute between the ACDPL and the main contractor.

Price Escalation and Adjustment in the Contract Amount: The uneasy situation created by the major amendment in the Rebar quantity was worsened by the price escalation in Rebar itself. During the verification and approval process on the Rebar quantity in the Delhi office, the price of the Rebar increased from NRs. 21 to NRs. 27 per Kg. The price escalation in Rebar and other materials along with some variations in the building designs were expected to increase NRs. 20 million (nearly 22%) in the cost of the project. Due to the probable project cost increment, the ACDPL wanted to save money in terms of the contract tax and the VAT (value-added tax) by curtailing the total contract amount up to NRs. 60 million. The ongoing disputes with the main contractor also supported the case for the curtailment in the contract amount. Therefore the ACDPL decided to limit the taxable formal contract amount up to NRs. 60 million and for the remaining works it decided to execute them under departmental works which was not taxable. With this arrangement the ACDPL could save 1.5% of contract tax and 10% of VAT for any works beyond the formal NRs. 60 million works.

The Main Contractor's Grievances: Under the curtailed contractual arrangement, the main contractor could only complete up to the structural works of the Blocks 1 to 8, 9 to 24 and 29

to 32. All the other Blocks and the finishing works were undertaken departmentally by ACDPL. The curtailed contractual arrangement was not only a major set back for the main contractor in getting expected return out of the project, it was also a basis for the ACDPL to hold the performance bond along with the latest running bill payments. Because of the adverse situation, the JV team of the main contractor got separated well before the new contractual arrangement was enforced. The ACDPL however retained the team leader from Safal Builders to manage the labor and material supply as an internal employee for the work beyond NRs. 60 million. The team leader agreed to work because he had to recover his investment on the project.

Turmoil in the ACDPL's Project Team: The ACDPL's project implementation team was assigned the task of coordinating and monitoring all the activities of the project so that they could be executed within the stipulated time and cost with the specified quality level. It was quite challenging for the project team to coordinate and monitor the activities amidst the main contractor's cash flow problem, the political disturbances, the error in quantity estimate and the material price escalation. There were frequent schedule slippages and the project team could not directly blame the main contractor and impose penalty to keep him in track. There were factors that were beyond the control of the main contractor, and he would direct his frustration towards the ACDPL management. On the other hand the ACDPL management team would pressurize the project team to keep the work in order. The management team would want to control the main contractor blaming on its ineffectiveness. In such situation, the project team was sandwiched between the main contractor and the ACDPL management. Because of the intense pressure, the key project leaders had to quit the project – they could not be committed with the unfavorable results. There were changes of at least three technical vice-presidents (project team leaders) and three senior managers in the project team. The main contractor therefore had to deal with the new and learning project leaders, and it created considerable impact in the schedule of the project. Moreover, at the end of the project, there was no project team leader to settle the final bill of the contractor. It was settled only after one and half years of completion of the project.

## **SUCCESS OR FAILURE OF THE INNOVATIVE PROJECT?**

The first group housing project in Nepal was in general completed successfully and eventually satisfactorily handed over to the customers. The construction period, however was highly turbulent with about 85% time delay and some cost overruns. Despite the delay, as the finishing works of the completed apartment structure was carried out in parallel with the construction of remaining blocks, ACDPL could hand over the successively finished apartment units to the customers. The whole apartment system was fully occupied within the six month of completion of all the works. The success, however, has to be interpreted from the view points of the involved parties.

M. B. Construction, Safal Builders, and R. M. Builders: For the three local contractors, the project was not a successful undertaking as they could not satisfactorily achieve their expected goals out of the project. They could not complete the project as they were assigned in the initial contract. Even on the part of their work, that is under the “with material” contract sub-package, there was about five month delay. Moreover because of their interaction, especially at the implementation stage, they were not successful in establishing a good business relationship with the client. Financially they were unsuccessful in making profit out of the project. All of the three contractors had to bear a considerable financial loss

in the project. After the project experience, all the three parties were not willing to work together again in the future. However, in terms of track record, all the three parties were successful in adding the project in their respective company profiles. Because of their experience in the first group housing project, they were able to secure jobs in other housing projects which were launched by other parties after the success of the Kathmandu Residency project.

Chaudhary Group and Ansal Group: With the completion of the project, the Chaudhary and Ansal Groups were successful in establishing the ACDPL as their pioneering housing and real estate company in the country. Although the client JV had to bear a total of two year delay in the project and consequently they had to face some unsatisfied customers, the eventual success was well publicized in the media. The client JV was successful in imparting the impression on the general public that the project was a breakthrough in the Nepalese housing sector. The project was actually successful in crossing all the perceived socio-cultural, economic, regulatory and physical constraints in the housing sector of the country. After the completion of the project there was a phenomenal growth in the private sector housing in Kathmandu and beyond. There were about twenty major registered private housing companies as of June 2005 that were supported by about 14 banks and financial institutions in Kathmandu (SAMN, 2005). It was estimated that there were about 1820 housing units completed or under construction by June 2005 (Sherchan and Lamsal, 2005). It was further developed and got established as a well organised and growing real estate sector contributing significantly to the national economy (Rajbhandary, 2011).

The Chaudhary Group was therefore highly successful in establishing a promising new housing and real estate portfolio in its corporate house. At the social front the Group showed that the organized group housing concept is possible to be implemented in the traditional Nepalese society, which could be taken as a starting point to show that the haphazard urbanization process in Kathmandu can be controlled to some extent with such housing concept.

The Ansal Group was also successful in starting its business expansion in Nepal. Both the Chaudhary and Ansal Groups were successful in making good profit out of the project. They were successful in harnessing good cash flow from the booking advance. After a couple of month of launching the Kathmandu Residency project, the ACDPL procured another plot of land for their second housing project using the cash collected from their former project. They were again successful in collecting booking advance from the proposed second phase project. Virtually they did not need to make any substantial separate financial investment from their sides. As soon as the construction of Kathmandu Residency project was completed, construction of the second phase was started on the basis of labor contract. ACDPL did not hire any external contractor but undertook the second phase under their own management. At that stage the Ansal Group wanted to further move with a third phase immediately. However, the Chaudhary Group opted not to move so aggressively. As there were risks such as the construction delay that was experienced in the first project, accumulation of new projects would add on more risks. If ACDPL could not manage the risks it would directly impart negative impression in the market. As the Chaudhary Group had to operate in Nepal with its other businesses, it was sensitive in its reputation in the country. Therefore the Chaudhary Group wanted to move bit slowly. The Ansal Group on the other hand was working in the huge Indian real estate market and it wanted to increase its scale of operation in Nepal also. Probably the company wanted to get benefit of the economies of scale with the rapid expansion of the business. The two groups however could not agree with each other in this

issue of slow or rapid business move. The common expected goal of both the parties was to expand their real estate business. However, they could not agree on the way to achieve the goal. With this basic difference in the respective expected goals, the two parties went through a conflictive situation. As no significant concession was offered from both the sides, the result of the dealing was finally perceived unfavorable. Therefore they decided to terminate the JV and the Ansal Group left the on-going second phase project. Then the on-going project was fully undertaken by the Chaudhary Group under its company's name. As per its policy, it started the third phase only after completing the second phase.

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