

# The Space for Social Enterprise Development in China

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## Abstract

The concept of “social enterprise” was brought to China in 2006 through two popular books that were translated into Chinese, namely, *How to Change the World* and *Banker to the Poor*. Although it is now suggested that the first SE in China of the kind was set up as early as in 1995, comparatively speaking, the social enterprise development has moved even slower in China than the NGOs, with very few practices – successes or failures.

With the background given, the paper will briefly review different SE concepts in the world and give its own definition, especially proposes SE as an approach, an attitude and an action. Following that, it will discuss the main challenges faced by the social enterprises in China: 1, the inadequate legal and regulatory framework for NPO development in China; 2, the low level of awareness of the public of the private sector’s contribution to social development; 3, the troubling problem of SE “identity” as NPO or business, leading to more concerns regarding the NPOs’ accountability issue; 4, the traditional cynicism against business engagement in social undertakings; 5, the over emphasis on profit vs. social good during the marketization process; 6, the weak capability of

the social enterprises mostly due to China's long time history of planned economy and centralized society.

The paper will then turn to the tremendous demand for social enterprise development in China, with the reasons as following: 1, the strong trend of developing "small government, big society", leading to space for SEs to provide some public services; 2, the deeper reforms that require higher quality, more direct and more efficient goods and services to the needy communities and individuals; 3, the big pressure felt by the NPOs to become more sustainable; 4, the increasing willingness of the businesses to seek for public good in their operations; 5, the rising cry for social capital building.

The positive side is that there is a great potential of supply. The paper will discuss three important pools: the current service-providing NPOs, the entities transformed from the current state non-enterprise non-civil-servant system, the college students and new graduates who may choose to create social ventures as their careers.

The paper will also discuss several potential risks that the SE development may bring: One, the state's stronger preference of service-providing NPOs to advocacy groups with too much emphasis on SEs; two, the state's co-option of the NPOs through conditional contracts; three, increase of abuses in the name of SEs, leading to credibility problem or crisis for the NPOs, and inevitable damages to the NPO image

among the public; and four, risks of creating obstacles to the nascent civil society in China.

At the end, the paper will explore a series of ways to balance the two-way potentials. It will call for careful guidance in term of expanding the space and cultivating the SEs in China, specifically by bresearch and advocacy, collection and analysis of best practices, to education and training for potential social entrepreneurs, SE incubation, as well as networking platforms, etc.

Apart from analysis, three or four typical cases of existing SEs will be discussed through the paper, particularly in areas of urban and rural poor community development, as well as rising young social entrepreneurs' efforts – both reflecting how guided “programming” may lead to desirable social changes to the most populated country in the world.

International comparisons will also be used, especially those of the UK, the US, Japan and India, while China as the late-comer in this area, can benefit from learning from their experiences and lessons based on their different or similar contexts and practice.