

USING A SOUND INSTITUTIONAL FRAMEWORK TO PREVENT AND MITIGATE RISKS

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ABSTRACT

One of the guiding principles for China's drive to further comprehensively deepen reform is to prioritise institutional reforms. The world today is undergoing profound changes unseen in a century, resulting in prevalent instability and uncertainty globally. To effectively prevent and defuse various risks and challenges, we must fully rely on institutions and use institutional certainty to counteract the uncertainty of risks. Socialism with Chinese characteristics has extraordinary capabilities of organisation, coordination and implementation. This institutional strength is the fundamental guarantee underpinning the ability to resist risks and challenges, enhance governance effectiveness, and maintain national security and social stability. To leverage institutions more effectively for risk prevention and mitigation, it is essential to build a sound institutional framework, enhance institutional enforcement capacity, and cultivate widespread institutional awareness in society, thereby providing a more comprehensive, stable, and practical institutional framework by making various systems more mature, well-defined and effective, and ultimately transforming the institutional strengths into risk prevention and control effectiveness.

Keywords: *Institution Building, Risk Governance, Institutional Strengths, National Security.*

INTRODUCTION

The Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) laid out plans for further comprehensively deepening reform and advancing Chinese modernisation. It set the goal of basically achieving socialist modernisation by 2035, with a focus on major reform initiatives over the next five years and emphasised the importance of using sound institutions to prevent and mitigate risks and to effectively address challenges. At present, China has entered a period of development in which strategic opportunities, risks and challenges are concurrent, and uncertainties and unforeseen factors are rising. "Black swan" and "gray rhino" events, or sudden external shocks and long-neglected domestic risks, may occur at any time, making risk prevention and mitigation an increasingly important and urgent task. As China embarks on a new journey to advance national rejuvenation through Chinese modernisation, it is essential to rely firmly on institutions, apply them flexibly, and improve them in a timely manner to better transform the strengths of socialism with Chinese characteristics into tangible effectiveness in risk prevention and mitigation.

Institution building uses internal certainty to cope with external uncertainty. From an institutional perspective, this article analyses why and how sound institutions can be used to prevent and mitigate risks. It first elaborates on the basic characteristics of institutions and highlights their critical role in risk prevention and mitigation. Second, based on China's distinctive institutional framework, it underscores the unique strengths of socialism with Chinese characteristics in addressing risks and challenges. Finally, in light of the evolving

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landscape of risks and challenges and the status quo of institutional arrangements in China, the paper offers policy recommendations to further advance institution building.

I. Preventing and Mitigating Risks and Challenges Must Rely on Institutions

Institutions refer to a set of rules or codes of conduct established to achieve specific objectives, which are recognised, accepted, and followed by the majority of members in a society. Institutions can be formal (such as constitutions, laws, and regulations) or informal (such as customs, ethics, and norms). Institutions are normative and binding – they guide and constrain organisations and individuals by indicating what should be done, how it should be done, and what must not be done, thereby shaping their behaviours. At the same time, institutions are procedural and anticipatory: they usually come into being through defined procedures and cannot be arbitrarily created or altered. Once established, institutions tend to remain relatively stable over a period of time and cannot be frequently or abruptly changed.

Institutions are basic components of a nation and society. Together, various institutions form the basic framework of a country and its social order. Governing through institutions is the most important, fundamental, reliable, and sustainable form of governance. It is the cornerstone of modern national governance and a driving force behind sustained economic and social development. Sound institutions mean that a country or society has a clear direction, transparent operational rules, orderly social structures, strong cohesion and unity among its members, and an efficient division of labour that generates synergy, which significantly reduces internal conflicts and friction.

For these reasons, institutional strength is often regarded as a nation's greatest strength, and institutional competition is viewed as the most fundamental form of competition between countries. For a country, to thrive and enjoy long-term peace and stability, it must rely on institutions. A strategic shift toward the construction of national basic systems has been seen as the second transformation of the CPC's governance strategy, following the first major transition in 1978 when economic development became the central task (Hu, et al., 2009).

To prevent and mitigate risks and challenges, we must rely on institutions and use the certainty of institutions to cope with the uncertainty of risks. Today, the world is undergoing accelerated changes unseen in a century, with frequent local conflicts and unrest, escalating global issues, and an increasingly volatile, uncertain, complex, and ambiguous environment—what has been described as the volatility, uncertainty, complexity, and ambiguity (or VUCA) era (Taskan, et al., 2022). Uncertain, unstable, and insecure factors are becoming increasingly complex.

China's reform has entered a "deep-water zone" and a critical phase, where a wide array of risks are building up and emerging. Both internal and external, expected and unexpected risks and challenges increase. In particular, as the economy and society increasingly function as an open and complex mega-system, risks can be easily coupled, superimposed, transmitted, and evolved, leading to systemic risks and compound risk clusters that transcend geography, space, and sectors. This makes preventing and mitigating such risks significantly more difficult. Therefore, we must heighten our awareness of potential dangers, enhance our sense of risk and responsibility, embrace bottom-line thinking and worst-case scenario planning, adhere to a systemic and strategic mindset, prepare to face major tests amid high winds, choppy waters, and even dangerous storms, and be ready to handle extreme situations and unexpected major shocks.

Relying on institutions, leveraging institutional strengths, and using the certainty of

institutional operations to counter the uncertainty of risks is the most fundamental, effective, economical, and secure approach to managing complex and difficult situations and safeguarding national security. Risk prevention and mitigation is a complex, systematic project involving many elements, including leadership systems, operating mechanisms, laws and regulations, technical support, human competence, and cultural environment. It spans diverse areas such as nature, society, politics, economy, technology, health, culture, and national defence, and involves various actors – Party committees and governmental departments, enterprises and public institutions, social organisations, and individual citizens (Zhong, 2019).

Given the multifaceted nature of risks and the entangled web of contradictions and challenges, effective risk prevention and mitigation in the new era requires us to proactively cultivate a sense of institutional awareness: to develop sound institutional arrangements in ordinary times, apply them skilfully in critical moments, act in accordance with laws and regulations, and ensure rules are followed. It must not devolve into a reactive, patchwork approach—treating the symptoms rather than the root causes, swinging blindly at problems, or fixing one issue only for another to arise elsewhere.

II. China’s Unique Institutional Advantages in Preventing and Mitigating Risks

Socialism with Chinese characteristics is built upon fundamental, basic, and important systems that serve as its main pillars, forming a complete structural framework (Xiao and Che, 2021). The effective operation of China’s unique governance structure – characterised by governance “flexibility” and a composite of functional mechanisms—is considered one of the key reasons behind China’s remarkable economic and social achievements since the start of reform and opening up in the late 1970s (Wang and Tang, 2019). Practical experience in tackling major risks—such as floods, snowstorms, earthquakes, typhoons, and pandemics—has demonstrated that the socialist system with Chinese characteristics possesses extraordinary capabilities of organisation, mobilisation, coordination and implementation. It has the unique advantage of pooling resources to accomplish major, difficult, and urgent tasks. This is the fundamental guarantee for China to effectively resist risks and challenges, enhance national governance effectiveness, and maintain national security and social stability.

First, extraordinary organisational and mobilisation capacity.

Preventing and mitigating risks is a people’s war. So, we must firmly rely on and extensively mobilise the people and effectively pool their strengths. It requires marshalling all available resources to weave a dense and solid safety protection network, forming an effective system of joint prevention and control, and nationwide mobilisation. A rigorous organisational system is key to leveraging the organisational advantage. The CPC has established a top-down, comprehensive, and vertically integrated organisational system and deepened its penetration into villages and communities (see Table 1).

Through the grid-based approach of Party building, Party work extends to every corner at the primary level, creating a nationwide mobilisation system with Chinese characteristics. Under the Party’s strong leadership, in the face of both predictable and unpredictable shocks, China adheres to a big-picture mindset, mobilising the strength of the Party, government, military, civilians, and academia and pooling advantageous forces and resources to win the battle of blocking, tackling, and eliminating major risks within a short time. After the sudden outbreak of COVID-19, from 24 January to 8 March 2020, China deployed 346 national medical teams, 42,600 medical personnel, and over 900 public health workers to Hubei Province. Nineteen

provinces supported 16 prefecture-level cities in Hubei (excluding Wuhan) through paired assistance and provincial-city support programmes. The People's Liberation Army sent more than 4,000 medical personnel to support Hubei (State Council Information Office, 2020).

Table 1: Inner-Party Statistical Communique of the CPC (As of December 31, 2024)

Item	Quantity (Thousand)
Total Number of Party Members	100,271
Primary-Level Organisations	5,250
Of which: Primary-Level Committees	306
General Branches	330
Branches	4,614

Source: Xinhua News Agency (30 June 30 2025).

Second, the capacity for overall planning and coordination.

Preventing and mitigating risks is a systemic endeavour that requires a united front. It cannot be achieved with a “minding one's own business” mindset, where individuals act independently or impede one another. It is essential to strengthen comprehension of the big picture and the overall situation, and to streamline relations between regions, departments, the military and local authorities, and various sectors and industries. The goal is unified command, coordination, and deployment, forming a powerful force that integrates all parties and resources to carry out cross-regional and large-scale operations. Faced with a wide array of risks and challenges, China has leveraged the institutional strength of the Party's core role in exercising overall leadership and coordinating the efforts of all sides. A centralised system of unified command, coordination, and deployment has been established, in which all localities and sectors perform their respective duties in close collaboration, forming a highly centralised, coordinated, and efficient command structure. Under the unified command and guidance of the CPC Central Committee, Party committees and governments at all levels promptly implement the decisions and plans of the CPC Central Committee, and regions and departments work in synergy.

In response to the COVID-19 pandemic, the CPC Central Committee established the Central Leading Group for COVID-19 Prevention and Control to make timely research and arrangements; a central steering group was dispatched to strengthen oversight and guidance of pandemic prevention and control in Wuhan and the wider Hubei Province; the Joint Prevention and Control Mechanism of the State Council enhanced coordination and scheduling, promptly resolving urgent problems encountered in the prevention and control work; relevant departments fulfilled their respective responsibilities, and the military actively supported local pandemic control efforts.

Third, the ability to implement decisions efficiently.

Implementation is key to realising strategic goals. Preventing and mitigating risks is a tough, complex, and protracted battle. Success depends not only on sound decision-making and the formulation of scientific and realistic strategic goals, but also on effective implementation – swiftly translating strategy into reality. China, as a large developing country with regional development disparities and multiple levels of government, faces the crucial task of ensuring smooth policy implementation and strict compliance with orders and prohibitions. This is particularly crucial in times of major risks when time is tight, tasks are heavy, and uncertainty prevails – often requiring quasi-militarised operations.

In such contexts, whether lower-level authorities can effectively implement higher-level directives is of critical importance. As a Marxist political party forged through revolutionary ideals and strict discipline, the CPC has a proud tradition and unique strength of tight organisation and strict discipline. Through the establishment of a well-structured organisational system that ensures smooth vertical communication and strong execution, as well as a system of responsibilities with clearly defined roles and requirements, the CPC ensures that primary-level Party organisations and every Party member and official play a crucial, exemplary and vanguard role. With its strong execution capability, the CPC is adept at ensuring that decisions and plans made by the central leadership reach the primary level and are put into action promptly and effectively.

III. Further Enhancing Maturity and Finalisation of Risk Prevention and Mitigation Mechanisms

Institutions are characterised by their adaptability to the times, practical orientation, and openness. They not only address practical problems arising in specific historical contexts but also evolve continuously as practice advances. The Third Plenary Session of the 20th CPC Central Committee listed “strengthening institution building as our main task” as one of the principles for further deepening reform in all respects. It emphasised the need to “strengthen top-level design and overall planning, always establishing new systems before abolishing old ones while attaching equal importance to efforts in both respects...[and] consolidate foundational systems, refine basic systems, and innovate important systems”. In order to prevent and mitigate risks more scientifically, precisely, and effectively, and to safeguard national security and social stability, it is essential to establish a more complete, stable, and effective institutional system. This will result in more mature and well-established institutions, thereby enabling the power of institutions to be harnessed more effectively in coping with various risks and challenges.

First, we must establish and improve the institutional framework.

Institutions form an integrated and comprehensive system that can be categorised in various ways as per different criteria. It is essential to adopt systemic thinking, plan holistically, and design from a top-level perspective based on the characteristics of economic and social development as well as the evolving risk landscape. This will help build a well-rounded institutional framework to better meet the needs of the times, continuously transforming the strengths of China’s system into greater effectiveness in preventing and mitigating risks, and providing a stronger institutional safeguard for the steady and orderly advancement of Chinese modernisation. Specific risk prevention and mitigation institutions include laws and regulations, policy documents, standards and norms, and contingency plans.

Targeted efforts should be made to abolish outdated rules, revise existing ones, and establish new ones where necessary, ensuring that actions to prevent and mitigate risks are backed by clear rules and standards. In particular, problems such as institutional gaps, conflicting regulations, regulatory grey areas or overlapping oversight in the course of risk prevention and mitigation must be addressed by implementing the new requirements of comprehensively advancing the rule of law. This entails systematically reviewing and revising relevant legal systems and constructing a multidimensional institutional system across different layers—laws and regulations, policy documents, technical standards, and emergency plans – to provide a solid institutional framework for risk prevention and mitigation efforts.

Second, we must enhance institutional enforcement capacity.

The vitality of an institution lies in its binding force and effectiveness in implementation. Once

the institutional framework is basically in place, greater emphasis must be placed on effective enforcement, transformation of institutional norms into conscious thinking and self-motivated action throughout society. Party committees, governments and leading officials at all levels must strengthen their awareness of institutions, safeguard the authority of institutional rules, take the lead in maintaining institutional authority, and set an example in institutional compliance—making adherence to rules an internalised habit.

In response to compromised enforcement by certain localities and departments during risk prevention and mitigation, we must act in line with the principle of “comprehensive, swift, pragmatic, and proactive implementation”. A sound and efficient institutional enforcement mechanism must be established, with detailed requirements for enforcement, so that institutions can truly become rigid constraints. We must also strengthen evaluation and oversight of institutional implementation by clarifying responsible parties and evaluation standards, improving oversight mechanisms, and strictly enforcing accountability. This will ensure that the strengths of the system are effectively translated into stronger capacities for oversight and governance.

Third, we must enhance institutional awareness across society.

Leveraging sound institutions to prevent and mitigate risks—and truly translating institutional strengths into effective state governance—requires the concerted efforts of the whole society and public support. It is essential to raise public awareness of the fundamental role and importance of institutions, encouraging the entire society to consciously respect, rigorously implement, and firmly uphold institutional rules. A strong atmosphere of rules-based governance of both people and affairs must be cultivated throughout society, so as to give full play to the role of institutional systems in solidifying the foundation, stabilising expectations, and benefiting future generations. We must continue to focus on leading officials as the “key few”, using their influence to guide the entire Party and the broader society in fostering genuine respect and reverence for institutions. Public oversight and evaluation should also be strengthened, with channels for public and media scrutiny kept open, so as to enhance the scientific soundness, comprehensiveness, enforceability, and binding power of institutions. We should establish systems for learning and evaluation, review and summarise practical experiences in risk prevention and mitigation and promptly refine valuable experiences into replicable and referenceable systems, so as to continuously make solid progress in practice.

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