

From Compliance to Capability: Reframing Financial Due Diligence in Global Health Partnerships

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Abstract

Financial due diligence is a central component of global health financing, primarily designed to ensure accountability and mitigate financial risk. However, in practice, it is often applied as a compliance-driven, pass/fail mechanism, which may limit the participation of high-potential partners, particularly in low-resource settings. This paper argues for a reframing of financial due diligence from a risk-screening tool to a strategic enabler of partner capability and programme effectiveness. Drawing on existing literature and practice-based insights, the paper proposes a capability-oriented due diligence approach that integrates risk management with structured capacity building. The paper contributes to ongoing discussions on global health financing by outlining a conceptual framework that balances accountability with the need to support innovation and strengthen institutional capacity.

Keywords: Global Health; Financial Due Diligence; Health Financing; Governance; Capacity Building; Risk Management

Introduction

Financial due diligence is a central component of global health financing, designed to ensure that funds are managed responsibly and in accordance with donor expectations. In an environment where large volumes of public and philanthropic resources are deployed across diverse institutional contexts, due diligence plays a critical role in safeguarding financial integrity, maintaining accountability, and mitigating risks associated with fund misuse. Traditionally, due diligence processes focus on assessing governance structures, internal controls, financial reporting systems, and compliance with regulatory and contractual requirements.

While these functions are essential, due diligence is often operationalized as a gatekeeping mechanism, applied as a pass/fail assessment that determines whether an organization is eligible to receive funding. This compliance-driven approach emphasizes standardization, consistency, and risk avoidance, reflecting the broader priorities of donor-funded systems. However, such an approach may not fully align with the realities of global health programme delivery, particularly in complex and resource-constrained environments (Abbas, 2023; Khan, 2026).

In the context of global health and pandemic preparedness, this limitation becomes more pronounced. Many high-impact scientific and public health initiatives originate from organizations operating in low- and middle-income settings, where institutional capacity, particularly in financial management and governance, may still be developing. Despite strong technical expertise and programme capability, these organizations may not meet all formal due diligence criteria at a given point in time (Yamey et al., 2020). As a result, strict application of due diligence requirements can unintentionally exclude high-potential partners, limiting innovation and reducing the diversity of actors engaged in global health efforts (Abbas, 2023).

Moreover, a compliance-focused approach may overlook underlying structural and operational challenges that could affect programme delivery over time. By concentrating on whether minimum requirements are met at the point of assessment, due diligence may fail to identify opportunities for strengthening systems, improving governance, and enhancing long-term sustainability. In this sense, due diligence risks becoming a static evaluation tool rather than a dynamic mechanism for managing and mitigating risk throughout the programme lifecycle.

Recent discussions in global health financing have highlighted the need for more adaptive and risk-informed approaches, including greater flexibility in funding models and increased emphasis on capacity strengthening. However, limited attention has been given to how financial due diligence itself can evolve to support these objectives. Specifically, there is a gap in understanding how due diligence can move beyond risk screening to actively enable partner development while maintaining robust accountability standards.

This paper addresses this gap by proposing a reframing of financial due diligence from a compliance-based screening tool to a capability-oriented mechanism that integrates risk management with institutional strengthening. The contribution of this paper is twofold. First, it critically examines the limitations of traditional due diligence approaches in the context of global health and pandemic preparedness. Second, it introduces a conceptual framework that positions due diligence as a strategic tool for supporting programme delivery, strengthening partner systems, and enabling more effective and inclusive global health partnerships.

Literature Review

The role of financial governance in global health has been widely examined, particularly in relation to accountability and risk management (World Bank, 2022; WHO, 2021). Donor-funded programmes are typically structured to ensure transparency and minimize financial risk through standardized controls and reporting mechanisms.

However, existing literature also highlights structural limitations in these approaches. Moon et al. (2015) emphasized the need for more adaptive systems following the Ebola outbreak, noting that rigid governance structures contributed to delays in response. Similarly, the Global Preparedness Monitoring Board (2021) identified financing constraints as a key barrier to effective pandemic preparedness.

Research has also shown that traditional funding models may not adequately support innovation, particularly in early-stage research and development, where outcomes are uncertain (Yamey et al., 2020). OECD (2020) further highlighted that inflexible funding mechanisms can limit responsiveness in crisis situations.

While these studies recognize the need for more flexible financing approaches, there is limited focus on how financial due diligence itself can evolve to support both accountability and capability development. This paper addresses this gap by proposing a conceptual framework for capability-oriented due diligence.

Conceptual Approach

This paper adopts a conceptual and policy-oriented approach, synthesizing insights from existing literature and practical experience in global health financing.

Rather than presenting empirical findings, the paper develops a framework to reconceptualize financial due diligence as a tool for both risk management and partner strengthening. The approach is grounded in the recognition that global health programmes operate in high-uncertainty environments, where strict compliance-based models may not fully support effective programme delivery.

Limitations of Compliance-Based Due Diligence

Financial due diligence is often implemented as a pass/fail assessment, focusing on whether an organization meets predefined financial and governance criteria. While this approach ensures consistency and accountability, it may create unintended consequences.

Organizations with strong technical or scientific capabilities but less developed financial systems may be excluded from funding opportunities. This is particularly relevant in global health, where innovation frequently emerges from smaller or newer institutions.

Additionally, compliance-driven approaches may fail to identify and address underlying operational or structural challenges that could affect programme delivery. As a result, due diligence may focus on risk avoidance rather than risk understanding and management.

From Risk Screening to Capability Building

A more effective approach is to reposition financial due diligence as a mechanism for identifying and addressing gaps, rather than solely screening for risk.

This involves:

Assessing the nature and impact of financial and governance gaps

Developing targeted mitigation strategies

Supporting partners in strengthening their financial systems

Such an approach aligns with broader shifts in global health financing toward risk management rather than risk avoidance. It also reflects the principles of risk-tolerant financing, where flexibility is introduced within structured governance frameworks.

Capability-Oriented Due Diligence Framework

This paper proposes a three-component framework:

Risk-Based Assessment - Focus on identifying high-impact risks and their implications for programme delivery

Structured Risk Mitigation - Develop clear mitigation plans, including timelines, milestones, and oversight mechanisms.

Capacity Building Integration - Embed capacity strengthening as a formal component of due diligence, supported by dedicated resources and governance structures.

This framework shifts due diligence from a static assessment to a dynamic process that supports both accountability and long-term partner development.

Policy Implications

Adopting a capability-oriented approach to due diligence has several implications: Donors may need to adapt contractual and compliance frameworks to allow for structured flexibility

Financial due diligence should be integrated earlier in programme design

Dedicated funding mechanisms for capacity building may be required

Governance models should support ongoing monitoring and adaptive decision-making

These changes are critical for enabling more effective and inclusive global health partnerships.

Conclusion

Financial due diligence remains essential for ensuring accountability in global health financing. However, its current application as a compliance-driven screening tool may limit its effectiveness in complex and high-uncertainty environments.

Reframing due diligence as a capability-oriented process provides an opportunity to strengthen partners, support innovation, and improve programme outcomes. By integrating risk management with capacity building, financial systems can better align with the needs of global health and pandemic preparedness.

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