

Unrestricted Funding: A Practical Guide for Funders

How to Determine Type of Funding: Decision-making Tree

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Contents

Introduction	3
Grant types: Decision-making tree.....	4
When to propose an unrestricted (core) grant, a project grant, or a hybrid approach.....	5
(1) Core grant.....	5
(2) ("Core+") Core support with embedded organisational strengthening (OS).....	5
(3) Unrestricted programme support.....	6
(4) Project support	6
(5) Project support with embedded OS objectives	6
(6) Stand-alone OS grant	7
Key principles underpinning the decision-making tree	7
Contact.....	7

Introduction

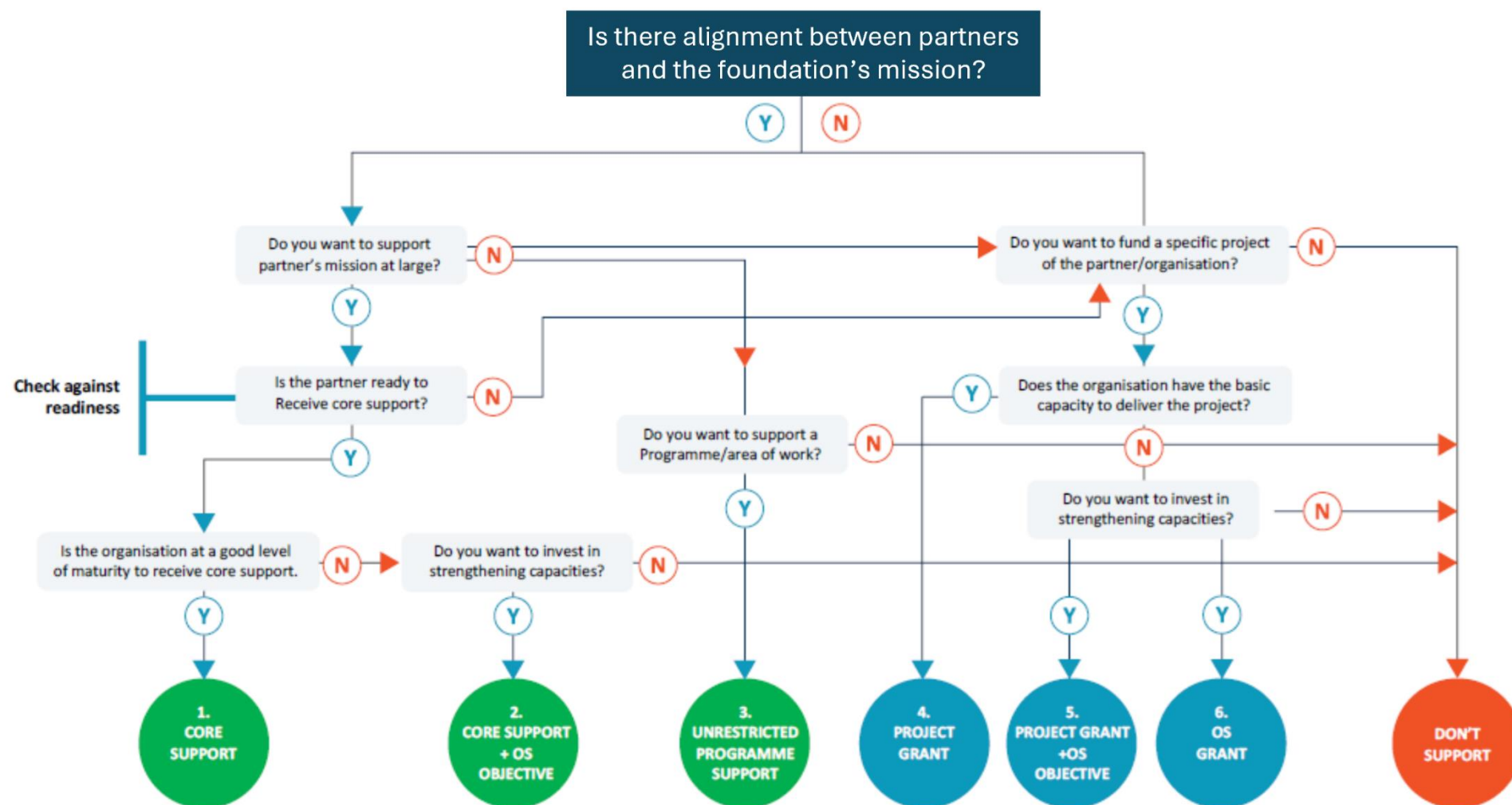
Deciding which type of funding to provide to partners depends on many factors. The decision-making tree on the following page supports programme officers in identifying the most appropriate type of funding relationship for each partner organisation. It also indicates when and how organisational strengthening (OS) / organisational development (OD) support may be included.

The starting point for all funding decisions is the degree of strategic alignment between the funder and the partner organisation. From there, the choice of grant type reflects:

- The scope of alignment
- The nature of the relationship
- The organisation's strategic and organisational context
- The role that flexibility and capacity support can play at that moment

This framework is intended as guidance, not a rigid formula.

Grant types: Decision-making tree



When to propose an unrestricted (core) grant, a project grant, or a hybrid approach

(1) Core grant

When there is... strong alignment of missions and strategies

An unrestricted (core) grant may be proposed when there is strong alignment between the funder's mission and the partner organisation's overall strategy, and due diligence is satisfactory.

A core grant can be awarded on its own to:

- Support the implementation of the organisation's strategy
- Enable flexibility and long-term planning
- Strengthen organisational resilience and adaptive capacity

Core support is appropriate when the funder is comfortable supporting the organisation as a whole, rather than a predefined set of activities.

(2) ("Core+") Core support with embedded organisational strengthening (OS)

When there is... a need for organisational strengthening

When the partner organisation has identified organisational strengthening needs that are relevant to the effective use of flexible funding, core support may be complemented by targeted support.

In these cases:

- Core funding remains unrestricted in nature
- Organisational strengthening (OS) is included as an additional objective, not as a set of earmarked line items
- OS objectives are framed to support learning, reflection, or system strengthening rather than compliance

This "Core+" approach recognises that unrestricted funding can both require and enable organisational development, and that capacity-building should not automatically be treated as a precondition for trust.

(3) Unrestricted programme support

When there is... partial alignment with the partner at programme level

In some cases, a partner organisation's mission or mandate is broader than the funder's scope, while alignment exists with a specific programme, thematic area, or portfolio.

This is often the case with:

- Large or multi-mandate organisations
- Institutions where only part of the strategy falls within the funder's priorities

In these situations, unrestricted programme funding may be proposed. This provides flexibility within a defined programme or thematic area, without extending to the entire organisation.

(4) Project support

When there is... no overall strategic alignment

Where there is no broader strategic alignment, the funder may still decide to support work that advances its objectives through a restricted project grant.

Project funding is appropriate when:

- Alignment is limited to a specific intervention
- The relationship is new or narrowly focused
- Unrestricted funding would not address the core purpose of the grant

(5) Project support with embedded OS objectives

When there is... a need for organisational strengthening linked to a project

In some cases, a project grant can only be implemented effectively if the organisation receives specific organisational strengthening support (for example, related to systems, governance, or leadership).

In these cases:

- OS objectives may be added explicitly to the project grant

- The OS support is clearly linked to the successful delivery of the project
- The added support should remain proportionate and time-bound

(6) Stand-alone OS grant

When there is... a need for stand-alone organisational strengthening support

Organisational strengthening support may also be provided independently of core or project funding, where this best fits the context.

This may occur when:

- The organisation's primary need is developmental rather than programmatic
- OS support is offered through a pooled fund, learning initiative, or small grant mechanism
- OS support is used to prepare the ground for future engagement, but is not framed as a test for future funding

Key principles underpinning the decision-making tree

- Alignment comes first, but alignment can exist at different levels (organisation, programme, project).
- Unrestricted funding and organisational strengthening are not mutually exclusive; they may reinforce each other.
- Capacity gaps should not automatically exclude organisations from flexible funding; they may be a reason to design support more thoughtfully.
- Hybrid and phased approaches are legitimate outcomes of this decision-making tree.
- Decisions should account not only for organisational factors, but also for funder-side constraints and assumptions (e.g. systems, risk tolerance, reporting requirements).

Contact

Want to know more? Get in touch!

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