

# ERNOP Research Note

Academic articles on philanthropy through a practitioner lens



[Full article](#)

## Grant Expectations: Navigating the Foundation Payout Debate

Tobias Jung – University of St Andrews | Jenny Harrow – City University of London | Cathy Pharoah – City University of London

Little is known about foundations, which frequently opens the sector to underinformed debate and potentially ill-conceived policy. A current example is whether UK foundations should be subject to a mandatory minimum payout requirement (MPR).

The authors argue that the current discourse lacks a sufficiently nuanced, evidence-informed debate about the role of foundations in UK society. Rather than focusing narrowly on whether a 5% rule should be introduced, they suggest that the payout debate raises broader questions about the nature, roles, and responsibilities of foundations.

#Foundations #Philanthropy #MPR #payout

### Background

&

### Context



- Limited academic research and a lack of reliable data mean that **public and policy debates on foundations often rest on assumptions rather than evidence.**
- Concerns about whether foundations were being used to shelter wealth, and whether their tax privileges translated into sufficient public benefit, led to the **introduction of a minimum payout requirement (MPR) in the United States** through the Tax Reform Act of 1969. The **rate was fixed at 5%** of a foundation's asset value in 1981.
- **Discussions about adopting a similar rule in the UK** have resurfaced periodically and **re-emerged in 2024**, with calls for a mandatory 5% payout for UK and European foundations.
- Indicative research suggests, however, that numerous **UK foundations already distribute amounts in that range or above.** This raises questions about the appropriateness of such calls.

# ERNOP Research Note

## Academic articles on philanthropy through a practitioner lens

### Take aways & Learnings



- The authors suggest that the payout debate touches on deeper structural tensions about the nature and roles of foundations that a simple regulatory solution is unlikely to address, and identify ten tensions that any serious debate on the topic needs to engage with:
  1. **Short-termism vs Long-termism:** Should foundations prioritise urgent, immediate, needs, or invest in systemic change and capacity-building that may take generations to achieve?
  2. **Intent vs. Response:** How can foundations remain faithful to their founding purposes while adapting to contemporary challenges, especially if payout rules shape how and when funds must be distributed?
  3. **Innovation vs Accountability:** How can foundations foster bold experimentation and risk-taking while meeting expectations for measurable results and responsible use of resources?
  4. **Flexibility vs Reliability:** How can foundations balance the need for strategic flexibility with the importance of providing predictable, stable, funding for grantees?
  5. **Pooling vs Payments:** Should foundations accumulate resources for large-scale transformative initiatives, or prioritise regular annual distributions that ensure a steady flow of funding?
  6. **Efficiency vs Distribution:** Does mandating annual spending risk prioritising distribution over effectiveness, particularly where organisations or communities may lack absorptive capacity?
  7. **Erosion vs Preservation:** How should foundations balance preserving endowments for future generations with addressing pressing social needs today?
  8. **Viability vs Activity:** Can uniform payout rules accommodate the wide diversity of foundation size and resources, or might they place disproportionate strain on smaller foundations?
  9. **Stability vs Spontaneity:** How can foundations maintain financial stability during economic downturns while retaining the ability to respond quickly to emerging crises?
  10. **Acontextual vs Contextual Understanding:** Is a US-style payout rule appropriate for the UK and European foundation landscape, or does effective policy require greater sensitivity to historical, legal and institutional context?

ERNOP Research Notes provide easy-to-read, practice-oriented summaries of academic articles on philanthropy and are written by practitioner experts. This ERNOP Research Note 2026/6 is published in March 2026 and has been written by Peter Stemp. More information can be found at [www.ernop.eu](http://www.ernop.eu).