

## 32.102 Description of contract financing methods.

(a) Advance payments are advances of money by the Government to a prime contractor before, in anticipation of, and for the purpose of complete performance under one or more contracts. They are expected to be liquidated from payments due to the contractor incident to performance of the contracts. Since they are not measured by performance, they differ from partial, progress, or other payments based on the performance or partial performance of a contract. Advance payments *may* be made to prime contractors for the purpose of making advances to subcontractors.

(b) Progress payments based on costs are made on the basis of costs incurred by the contractor as work progresses under the contract. This form of contract financing does not include-

- (1) Payments based on the percentage or stage of completion accomplished;
- (2) Payments for partial deliveries accepted by the Government;
- (3) Partial payments for a contract termination proposal; or
- (4) Performance-based payments.

(c) Loan guarantees are made by Federal Reserve banks, on behalf of designated guaranteeing agencies, to enable contractors to obtain financing from private sources under contracts for the *acquisition of supplies* or services for the *national defense*.

(d) Payments for accepted *supplies* and services that are only a part of the contract requirements (*i.e.*, partial deliveries) are authorized under [41 U.S.C. chapter 45](#) and 10 U.S.C. chapter 277. In accordance with 5 CFR 1315.4(k), agencies *must* pay for partial delivery of *supplies* or partial performance of services unless specifically prohibited by the contract. Although payments for partial deliveries generally are treated as a method of payment and not as a method of contract financing, using partial *delivery payments* can assist contractors to participate in contracts without, or with minimal, contract financing. When appropriate, contract statements of work and *pricing* arrangements *must* permit acceptance and payment for discrete portions of the work, as soon as accepted (see [32.906\(c\)](#)).

(e)

(1) Progress payments based on a percentage or stage of completion are authorized by the statutes cited in [32.101](#).

(2) This type of progress payment *may* be used as a payment method under agency procedures. Agency procedures *must* ensure that payments are commensurate with work accomplished, which meets the quality standards established under the contract. Furthermore, progress payments *may* not exceed 80 percent of the eligible costs of work accomplished on undefinitized *contract actions*.

(f) Performance-based payments are *contract financing payments* made on the basis of-

- (1) Performance measured by objective, quantifiable methods;

- (2) Accomplishment of defined events; or
- (3) Other quantifiable measures of results.

**Parent topic:** [Subpart 32.1 - Financing for Other Than a Commercial Purchase](#)