

## 32.202-1 Policy.

(a) *Use of financing in contracts.* It is the responsibility of the contractor to provide all resources needed for performance of the contract. Thus, for purchases of *commercial products* or *commercial services*, financing of the contract is normally the contractor's responsibility. However, in some markets the provision of financing by the buyer is a commercial practice. In these circumstances, the *contracting officer* may include appropriate financing terms in contracts for commercial purchases when doing so will be in the best interest of the Government.

(b) *Authorization.* Commercial interim payments and commercial advance payments may be made under the following circumstances-

(1) The contract item financed is a commercial supply or service;

(2) The contract price exceeds the *simplified acquisition threshold*;

(3) The *contracting officer* determines that it is appropriate or customary in the commercial marketplace to make financing payments for the item;

(4) Authorizing this form of contract financing is in the best interest of the Government (see paragraph (e) of this sub-section);

(5) Adequate security is obtained (see [32.202-4](#));

(6) Prior to any performance of work under the contract, the aggregate of commercial advance payments *shall* not exceed 15 percent of the contract price;

(7) The contract is awarded on the basis of competitive procedures or, if only one *offer* is solicited, adequate consideration is obtained (based on the time value of the additional financing to be provided) if the financing is expected to be substantially more advantageous to the *offeror* than the *offeror's* normal method of customer financing; and

(8) The *contracting officer* obtains concurrence from the payment office concerning liquidation provisions when required by [32.206\(e\)](#).

(c) *Difference from other than commercial financing.* Government financing of commercial purchases under this subpart is expected to be different from that used for other than commercial purchases under [subpart 32.1](#) and its related subparts. While the *contracting officer* may adapt techniques and procedures from the other than commercial subparts for use in implementing commercial contract financing arrangements, the *contracting officer* must have a full understanding of effects of the differing contract environments and of what is needed to protect the interests of the Government in commercial contract financing.

(d) *Unusual contract financing.* Any contract financing arrangement not in accord with the requirements of agency regulations or this part is *unusual contract financing* and requires advance approval in accordance with agency procedures. If not otherwise specified, such *unusual contract financing* shall be approved by the *head of the contracting activity*.

(e) *Best interest of the Government.* The statutes cited in [32.201](#) do not allow contract financing by the Government unless it is in the best interest of the *United States*. Agencies may establish standards to determine whether contract financing is in the best interest of the Government. These

standards *may* be for certain types of *procurements*, certain types of items, or certain dollar levels of *procurements*.

**Parent topic:** [32.202 General](#).