32.1001 Policy.

(a) Performance-based payments are the preferred Government financing method when the *contracting officer* finds them practical, and the contractor agrees to their use.

(b) Performance-based payments are *contract financing payments* that are not payment for accepted items.

(c) Performance-based payments are fully recoverable, in the same manner as progress payments, in the event of default.

(d) Performance-based payments are *contract financing payments* and, therefore, are not subject to the interest-penalty provisions of prompt payment (see subpart 32.9). These payments *shall* be made in accordance with agency policy.

(e) Performance-based payments *shall* not be used for-

(1) Payments under cost-reimbursement *line items*;

(2) Contracts for *architect-engineer services* or *construction*, or for shipbuilding or ship conversion, alteration, or repair, when the contracts provide for progress payments based upon a percentage or stage of completion; or

(3) Contracts awarded through sealed bid procedures.

Parent topic: Subpart 32.10 - Performance-Based Payments