

32.206 Solicitation provisions and contract clauses.

(a) The contract *shall* contain the paragraph entitled "Payment" of the clause at [52.212-4](#), Contract Terms and Conditions-*Commercial Products* and *Commercial Services*. If the contract will provide for contract financing, the *contracting officer shall* construct a *solicitation* provision and *contract clause*. This *solicitation* provision *shall* be constructed in accordance with [32.204](#) or [32.205](#). If the procedure at [32.205](#) is used, the *solicitation* provision at [52.232-31](#), invitation to Propose Financing Terms, *shall* be included. The *contract clause shall* be constructed in accordance with the requirements of this subpart and any agency regulations.

(b) Each contract financing clause *shall* include:

(1) A description of the-

(i) Computation of the financing payment amounts (see paragraph (c) of this section);

(ii) Specific conditions of contractor entitlement to those financing payments (see paragraph (c) of this section);

(iii) Liquidation of those financing payments by *delivery payments* (see paragraph (e) of this section);

(iv) Security the contractor will provide for financing payments and any terms or conditions specifically applicable thereto (see [32.202-4](#)); and

(v) Frequency, form, and any additional content of the contractor's request for financing payment (in addition to the requirements of the clause at [52.232-29](#), Terms for Financing of Purchases of *Commercial Products* and *Commercial Services*; and

(2) Unless agency regulations authorize alterations, the unaltered text of the clause at [52.232-29](#), Terms for Financing of Purchases of *Commercial Products* and *Commercial Services*.

(c) Computation of amounts, and contractor entitlement provisions.

(1) Contracts *shall* provide that *delivery payments shall* be made only for completed *supplies* and services accepted by the Government in accordance with the terms of the contract. Contracts *may* provide for commercial advance and commercial interim payments based upon a wide variety of bases, including (but not limited to) achievement or occurrence of specified events, the passage of time, or specified times prior to the delivery date(s). The basis for payment *must* be objectively determinable. The clause written by the *contracting officer shall* specify, to the extent access is necessary, the information and/or facilities to which the Government *shall* have access for the purpose of verifying the contractor's entitlement to payment of contract financing.

(2) If the contract is awarded using the *offeror*-proposed procedure at [32.205](#), the clause constructed by the *contracting officer* under paragraph (b)(1) of this section *shall* contain the following:

(i) A statement that the *offeror's* proposed listing of earliest times and greatest amounts of projected financing payments submitted in accordance with paragraph (d)(2) of the provision at [52.232-31](#), invitation to Propose Financing Terms, is incorporated into the contract, and

(ii) A statement that financing payments *shall* be made in the lesser amount and on the later of the date due in accordance with the financing terms of the contract, or in the amount and on the date projected in the listing of earliest times and greatest amounts incorporated in the contract.

(3) If the security accepted by the *contracting officer* is the contractor's financial condition, the *contracting officer shall* incorporate in the clause constructed under paragraph (b)(1) of this section the following-

(i) A statement that the contractor's financial condition has been accepted as adequate security for commercial financing payments; and

(ii) A statement that the *contracting officer may* exercise the Government's rights to require other security under paragraph (c), Security for Government Financing, of the clause at [52.232-29](#), Terms for Financing of Purchases of *Commercial Products* and *Commercial Services*, in the event the contractor's financial condition changes and is found not to be adequate security.

(d) *Instructions for multiple appropriations.* If contract financing is to be computed for the contract as a whole, and if there is more than one appropriation account (or subaccount) funding payments under the contract, the *contracting officer shall* include, in the contract, instructions for distribution of financing payments to the respective funds accounts. Distribution instructions and contract liquidation instructions *must* be mutually consistent.

(e) *Liquidation.* Liquidation of *contract financing payments shall* be on the same basis as the computation of *contract financing payments*; that is, financing payments computed on a whole contract basis *shall* be liquidated on a whole contract basis; and a payment computed on a *line item* basis *shall* be liquidated against that *line item*. If liquidation is on a whole contract basis, the *contracting officer shall* use a uniform liquidation percentage as the liquidation method, unless the *contracting officer* obtains the concurrence of the cognizant payment office that the proposed liquidation provisions can be executed by that office, or unless agency regulations provide alternative liquidation methods.

(f) *Prompt payment for commercial purchase payments.* The provisions of [subpart 32.9](#), Prompt Payment, apply to contract financing and *invoice payments* for commercial purchases in the same manner they apply to other than commercial purchases. The *contracting officer* is responsible for including in the contract all the information necessary to implement prompt payment. In particular, *contracting officers must* be careful to clearly differentiate in the contract between contract financing and *invoice payments* and between items having different prompt payment times.

(g) *Installment payment financing for commercial products and commercial services.* *Contracting officers may* insert the clause at [52.232-30](#), Installment Payments for *Commercial Products* and *Commercial Services*, in *solicitations* and contracts in lieu of constructing a specific clause in accordance with paragraphs (b) through (e) of this section, if the *contract action* qualifies under the criteria at [32.202-1\(b\)](#) and installment payments for the item are either customary or are authorized in accordance with agency procedures.

(1) *Description.* Installment payment financing is payment by the Government to a contractor of a fixed number of equal interim financing payments prior to delivery and acceptance of a contract item. The installment payment arrangement is designed to reduce administrative costs. However, if

a contract will have a large number of deliveries, the administrative costs *may* increase to the point where installment payments are not in the best interests of the Government.

(2) *Authorized types of installment payment financing and rates.* Installment payments *may* be made using the clause at [52.232-30](#), Installment Payments for *Commercial Products* and *Commercial Services*, either at the 70 percent financing rate cited in the clause or at a lower rate in accordance with agency procedures.

(3) *Calculating the amount of installment financing payments.* The *contracting officer shall* identify in the contract schedule those items for which installment payment financing is authorized. Monthly installment payment amounts are to be calculated by the contractor pursuant to the instructions in the *contract clause* only for items authorized to receive installment payment financing.

(4) *Liquidating installment payments.* If installment payments have been made for an item, the amount paid to the contractor upon acceptance of the item by the Government *shall* be reduced by the amount of installment payments made for the item. The contractor's request for final payment for each item is required to show this calculation.

Parent topic: [Subpart 32.2 - Commercial Product and Commercial Service Purchase Financing](#)