

32.403 Applicability.

Advance payments *may* be considered useful and appropriate for the following:

- (a) Contracts for experimental, research, or development work with nonprofit educational or research institutions.
- (b) Contracts solely for the management and operation of Government-owned plants.
- (c) Contracts for *acquisition*, at cost, of property for Government ownership.
- (d) Contracts of such a highly classified nature that the agency considers it undesirable for national security to permit *assignment of claims* under the contract.
- (e) Contracts entered into with financially weak contractors whose technical ability is considered essential to the agency. In these cases, the agency *shall* closely monitor the contractor's performance and financial controls to reduce the Government's financial risk.
- (f) Contracts for which a loan by a private financial institution is not practicable, whether or not a loan guarantee under this part is issued; for example, if-
 - (1) Financing institutions will not assume a reasonable portion of the risk under a guaranteed loan;
 - (2) Loans with reasonable interest rates or finance charges are not available to the contractor; or
 - (3) Contracts involve operations so remote from a financial institution that the institution could not be expected to suitably administer a guaranteed loan.
- (g) Contracts with small business concerns, under which circumstances that make advance payments appropriate often occur (but see [32.104\(b\)](#)).
- (h) Contracts under which exceptional circumstances make advance payments the most advantageous contract financing method for both the Government and the contractor.

Parent topic: [Subpart 32.4 - Advance Payments for Other Than Commercial Acquisitions](#)