How to win a government contract

Finance

The author describes many reasons for the given problem. They include the encourage competition, to assist small and medium businesses, to expedite the performance of contracts deemed essential, to make possible large dollar acquisitions, to reduce contractor risk and to lower the overall costs of the contract. Approaches to Contract Financing Customary contract financing The government does not give financing in cases of Simplified Acquisition Procedures or foreigners being awarded contracts. The basic steps when giving this kind of contract financing, usually undertaken by the government, is to decide if the money will be offered, minimizing the government's risk, approving or disapproving the request and the liquidating or recovering financing payments. In non-commercial and commercial acquisitions, the solicitation states whether financing will be availed under the particular contract, though actual clauses in the contract may differ. It is vital to note that financing may be availed after award even if the contract had indicated that they didn't need financing. In this case, the contractor should give reasonable considerations, for instance, reduction in the price of the contract, improved delivery date or an increase in quantity. This is for the increased risk and cost to the government. When financed, the contract should obviously show their need in the proposal. Contract financing from the government is a benefit to contractors and they should, therefore, reflect it in the form of more favorable terms or lower prices. Need for contract financing need not be treated as a bad thing for the award of contract. Performance-Based Payments These are contract financing arrangements that are made on the basis of accomplishment of defined events, performance measured by quantifiable or objective methods or other measurable events. The method is usually for competitively sole or negotiated source services or supplies. It is the most preferred method by the government to contracts working under fixed-price contracts. Payment is based on the achievement of specific accomplishments defined in advance by parties to the contract instead of tying them to costs Progress payments based on costs This is used on service or supply contracts made on basis of costs input by the contractor as the progress of works under the said contract. It does not include performance-based payments, partial delivery payments accepted by the government, payments based on the stage or percentage of completion accomplished. This contract financing approach can be used for sealed bid, sole or negotiated contracts for services and supplies. Interim payments/ public vouchers These are a means of vouchering eligible expenses including labor, materials, overheads, and fees under the cost-reimbursement contracts. While it is not considered a customary contract financing method, it pays expenses incurred under such contracts. Loan guarantees made by Federal Reserve Banks through guaranteeing agencies to enable the contracts to get financing from private sourcing so they can fulfill contract obligations involving supplies or services for the national defense. Some kind of congressional authority is required for this to take place. In recent years, however, the Department of Defense has not requested such authority. Advance payments The government may advance to the prime contract before the completed performance sums of money under one or more contracts. They are to be liquidated from payments due to the contractor subject to the performance of the contracts. For instance, advance payments may be made to the main contractors so that they are able to pay their subcontractors (Velazquez, 2003).