

GAO Highlights

Highlights of [GAO-15-196](#), a report to congressional committees

Why GAO Did This Study

In the wake of the economic and political transitions associated with the “Arab Spring,” Congress authorized the creation of enterprise funds for Egypt and Tunisia in 2011. EAEF and TAEF aim to develop the private sectors in these countries, particularly SMEs, through instruments such as loans, equity investments, and technical assistance. USAID signed grant agreements with both Funds in 2013 and has thus far obligated \$120 million to EAEF and \$60 million to TAEF. In this report, GAO examines (1) the status of the Funds’ investments, (2) the Funds’ progress in establishing key management structures to support their missions and operations, and (3) the extent to which the Funds have complied with requirements in the grant agreements. To address these objectives, GAO reviewed USAID and Fund documents, such as EAEF and TAEF grant agreements, policies and procedures, and the Funds’ boards of directors meeting minutes. GAO also interviewed USAID and Fund officials.

What GAO Recommends

GAO recommends that USAID take steps to further enhance its oversight of the Funds’ compliance with the grant agreements and other requirements by establishing a process to better manage cash advances to the Funds; ensuring that the Funds comply with the grant agreement requirements related to performance monitoring and public communications; and ensuring that the Funds’ corporate policies include vetting requirements. USAID concurred with our recommendations.

View [GAO-15-196](#). For more information, contact David Gootnick at (202) 512-3149 or at gootnickd@gao.gov.

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ENTERPRISE FUNDS

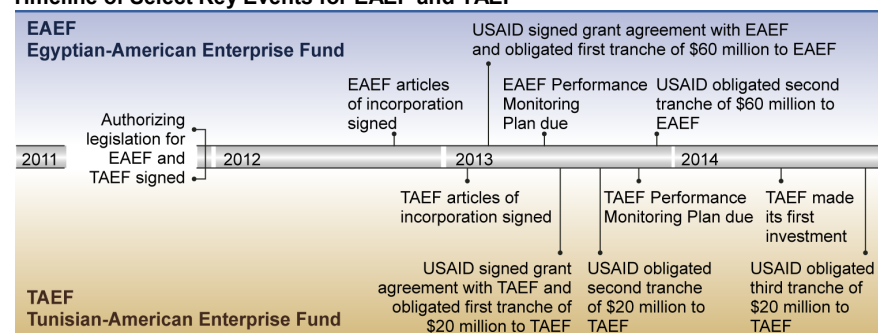
Egypt and Tunisia Funds Are Established; Additional Steps Would Strengthen Compliance with USAID Grant Agreements and Other Requirements

What GAO Found

The Egyptian-American Enterprise Fund (EAEF) has not yet made any investments in Egypt, and the Tunisian-American Enterprise Fund (TAEF) has made an over \$2.4 million investment in Tunisia. EAEF has not made any investments in Egypt as its initial investment did not proceed as planned. EAEF’s attempt to purchase a bank in Egypt that would lend money to small and medium-sized enterprises (SME) was rejected by the Egyptian Central Bank. EAEF is now considering other options, such as investments in the food and beverage sector. TAEF’s investment strategy is to invest in four different areas: (1) a private equity fund investing in SMEs, (2) direct investments in SMEs smaller than those targeted by the private equity fund, (3) microfinance institutions, and (4) start-ups. In June 2014, TAEF made an over \$2.4 million investment in a private equity fund that invests in and finances Tunisian SMEs.

EAEF and TAEF (the Funds) have made progress in establishing key management structures to support their mission and operations, with additional actions under way. In terms of administrative structures, both Funds have hired initial staff. Regarding their corporate governance, EAEF and TAEF both have boards of directors that have met regularly, adopted by-laws, and developed corporate policies and procedures. Both Funds plan to develop and implement additional management structures in the future, such as audits of their 2013 and 2014 financial statements.

Timeline of Select Key Events for EAEF and TAEF



Source: GAO analysis of USAID, EAEF, and TAEF information. | GAO-15-196

While TAEF and EAEF have generally fulfilled the requirements of the grant agreements, GAO found three gaps in the Funds’ implementation and one gap in the U.S. Agency for International Development’s (USAID) implementation. First, the Funds have not yet submitted their performance monitoring plans as required by the grant agreements. Second, EAEF has not implemented the provisions in its grant agreement related to public communications, such as development of its own logo. Third, the Funds’ corporate policies do not include procedures to implement vetting requirements designed to prevent illicit use of the funds, the presence of which was expected by USAID. USAID has also not tracked the Funds’ use of cash in a way that allows the agency to monitor whether EAEF and TAEF are spending it in a timely manner. Collectively, these gaps in implementation pose challenges for USAID’s oversight of the Funds.