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# Tunisian American Enterprise Fund (TAEF) Evaluation

## Final Evaluation Report 2018

PPL LER M&E IDIQ Contract No.:  
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**Project Description:** Banyan Global conducted an early implementation evaluation of the Tunisian American Enterprise Fund (TAEF) in collaboration with subcontractor Millennium Partners under the PPL LER EVAL M&E IDIQ. The objective of this task order is to provide USAID/Washington with a full, evidence-based, and independent early implementation evaluation of the first three and a half years of TAEF. TAEF's overall objective is to promote the development of Tunisia's private sector, (including small businesses) and policies and practices conducive to private-sector development in Tunisia.

With USAID grant funding to TAEF expected to total \$100 million, it is important at this early stage to conduct an independent performance evaluation to take stock of TAEF's accomplishments and any challenges encountered by TAEF to date, as well as to garner other important lessons learned to inform future work of the Fund. Based on the evaluation's findings and recommendations, USAID and TAEF's board of directors and management may consider organizational or structural changes which may be necessary or helpful, as well as early indications of the fund's development impact and current needs of the small and medium enterprise (SME) community.

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# TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION

## FINAL EVALUATION REPORT 2018

**PPL LER M&E IDIQ Contract No.: AID-OAA-I-15-00015**  
**Task Order Contract No.: AID-OAA-TO-17-00021**

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# ACRONYMS

AmCham	American Chamber of Commerce
BRCP	Business Reform and Competitiveness Program
CEED	Center for Entrepreneurship and Executive Development
COO	Chief operating officer
EBRD	European Bank for Reconstruction and Development
EQ	Evaluation question
ESPRIT	Ecole Superior Privee d'Ingeneire and de Technologies
FGD	Focus-group discussion
GAO	Government Accountability Office
GoT	Government of Tunisia
IFC	International Finance Corporation
KII	Key informant interview
MFI	Microfinance institution
MOU	Memorandum of understanding
MSB	Mediterranean Business School
M&E	Monitoring and evaluation
PMP	Performance management plan
SME	Small- and medium-sized enterprise
TAEF	Tunisian American Enterprise Fund
TASF	Tunisian American Search Fund
TASME	Tunisian American SME Company
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USG	United States government

# ABSTRACT

Banyan Global conducted an early implementation evaluation of the Tunisian American Enterprise Fund (TAEF) in collaboration with subcontractor Millennium Partners under the Policy, Planning, and Learning–Learning, Evaluation, and Research Monitoring and Evaluation indefinite delivery/indefinite quantity contract. The objective of this task order is to provide USAID/Washington with a full, evidence-based, and independent early implementation evaluation of the first three and a half years of TAEF to determine if TAEF has successfully laid the foundation for success. TAEF’s mandate is to promote the development of Tunisia’s private sector, (including small businesses) and policies and practices conducive to private-sector development in Tunisia. To fulfill its legislative and grant mandate, TAEF’s investment strategy should contribute to a more competitive, private-sector–led, and inclusive Tunisian economy, reflecting the enterprise fund’s dual goals of achieving development impact and financial performance. With USAID grant funding to TAEF expected to total \$100 million, it is important at this early stage to conduct an independent performance evaluation to take stock of TAEF’s accomplishments and any challenges encountered by TAEF to date, as well as to garner other important lessons learned to inform future work.

This evaluation found that TAEF has laid the foundation to successfully achieve its legislative and grant-agreement mandate. TAEF’s governance structure and processes create an effective foundation for TAEF and largely are consistent with international best practices. The existing operating structures, policies, and procedures are appropriate for its level of development and for achieving its investment goals. TAEF has also been successful in engaging with a broad spectrum of Tunisia’s financial and business community, and it has an exceptionally well thought-out investment strategy that provides an excellent approach to achieving the legislative and grant purposes for which it was created.

Overall, the evaluation determined that TAEF’s management, staff and board of directors have demonstrated a high level of commitment to, effort in, and professional knowledge about financial and investment activities. They have achieved a range of impressive accomplishments and positive measures of success at this stage of TAEF’s development. Based on the strong foundations that have been developed, and with continued focus on directing TAEF’s resources to support key segments and regions within Tunisia, TAEF is well placed to support the development of a broad spectrum of businesses within Tunisia’s SME community during the next decade of TAEF’s active investment work in Tunisia.

Further strengthening TAEF’s existing governance, operations, and private-sector investment strategy will allow TAEF to provide continued assistance to SMEs within Tunisia and serve as a model for other investors and financial intermediaries, while building goodwill between the American people and the citizens of Tunisia.

# EXECUTIVE SUMMARY

In response to the Arab Spring, Congress authorized the Tunisian American Enterprise Fund (TAEF) in fiscal year 2012 with the mandate to promote the development of Tunisia’s private sector (including small businesses) and policies and practices conducive to private-sector development in Tunisia. To fulfill its legislative and grant mandate, TAEF’s investment strategy should contribute to a more competitive, private-sector–led, and inclusive Tunisian economy, reflecting the enterprise fund’s dual goals of achieving development impact and financial performance. In July 2013, the United States Agency for International Development (USAID) and TAEF’s chairman of the board signed the TAEF grant agreement. TAEF began operations in Tunisia in 2014. To date TAEF has received \$80 million. USAID anticipates a final obligation of \$20 million in 2018, bringing TAEF’s total funding to \$100 million.

As legislation and the TAEF grant agreement require, USAID commissioned the first of three external evaluations of TAEF. The intention of this early implementation evaluation, examining the first 3.5 years of TAEF’s operations, was to determine whether the fund had established an appropriate foundation to achieve the objectives of the legislative and grant agreement over its next decade of performance. The focus was not to assess the performance of TAEF’s financial investments to date, but rather to address whether TAEF’s internal governing structure and related operational activities, as well as its investment strategy and engagement with the private sector, will be effective in yielding financial and development impact success over the next decade. Specifically, this evaluation examines four evaluation questions related to TAEF’s governance, operations, private-sector engagement, and investment strategy. The evaluation team based the findings and conclusions presented in this report on data collected through various qualitative and quantitative data sources, described in detail herein. The recommendations included in this report are the sole responsibility of the evaluation team and do not necessary reflect USAID’s opinions.

## METHODOLOGY

An experienced team of evaluators, several of whom were engaged personally with the original enterprise funds established by USAID in Eastern Europe in the 1990s, led this mixed-methods evaluation. Evaluators were granted wide access to TAEF’s board of directors (board), management, staff, and investees, as well as SMEs in Tunisia that have not received a TAEF investment. Meetings and key informant interviews (KIIs) were conducted in the United States and Tunisia, while focus group discussions (FGDs) and investee site visits in Tunisia enabled the team to critically assess TAEF’s foundational structures. A rigorous mix of quantitative methods (namely electronic surveys of TAEF’s board, senior staff, and investees) provided a body of data against which qualitative information collected from interviews, FGDs, and meetings were coded and analyzed. A thorough review of documents (including those internal to TAEF, USAID, and outside literature) provided context to understand the private sector in Tunisia and a means to question, triangulate, and analyze findings from various sources.

## EVALUATION QUESTIONS

To meet the evaluation’s goals, the research team sought to answer the following question:

**Laying the Foundations for Success**  
What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?

The team answered this question by addressing the following sub-evaluation questions (EQs):

1. **Governance:** Has TAEF established appropriate and effective governance structures (such as its board and other structures)? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success? (EQ1)
2. **Operations:** Has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success? (EQ2)
3. **Private-Sector Engagement:** What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date? (EQ3)
4. **Investment Strategy:** Are TAEF's investment strategy and approach tailored to the needs of Tunisian firms? (EQ4)

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### FOUNDATIONS FOR SUCCESS

In conducting this early implementation evaluation, the evaluation team determined that TAEF has successfully laid the foundations for achieving its legislative and grant agreement purposes to develop Tunisia's private sector. The team reviewed TAEF's governance structures and processes, operating policies and procedures, and approach to private-sector engagement and investment strategy. It determined that these areas are well developed and should be effective in achieving the longer-term goals and objectives of the legislation and grant agreement. Overall, TAEF has been proactive in launching and managing the fund, creative in overcoming barriers and adapting to the needs of Tunisia's SMEs, and disciplined in its investment and operational approach, making impressive progress in a short period of time.

To fulfill its legislative and grant mandate, the evaluation team found that TAEF has developed an investment strategy that focuses on contributing to a more competitive, private-sector-led, and inclusive Tunisian economy. This strategy reflects TAEF's goals of achieving development impact and financial performance. TAEF defines development impact in terms of job creation, supporting youth and women in economic activity, and the development of the underserved interior regions of Tunisia.

The evaluation team also identified areas in which TAEF could build upon its existing foundations to strengthen performance and potential impact. Key findings, conclusions, and the evaluation team's recommendations to further strengthen TAEF's foundations are summarized by each of the four evaluation areas.

### GOVERNANCE

**Foundations for Effective Governance Have Been Laid.** The evaluation team found that TAEF's governance structures and processes largely conform to internationally accepted best practices. The evaluation team concludes that the way in which these structures and processes have been designed and are being implemented creates the foundations for effective governance of the fund. TAEF's board consists of a diverse and highly qualified team with a mix of skills and experience well suited to the fund's mandate and objectives. Likewise, the evaluation team found that TAEF has assembled a high-quality senior staff and team of investment managers who exhibit professionalism and commitment to TAEF's objectives. They also appear to enjoy excellent professional reputations as expressed to the team by TAEF's board of directors, TAEF investees, and other stakeholders, including other providers of assistance to SMEs in Tunisia.

The evaluation team identified some areas for strengthening: succession planning for the chair and chief operating officer, setting term limits, and expanding the number of in-person and in-country board meetings. The evaluation team's suggested recommendations are as follows:

- *Promoting operational continuity through succession planning and establishing term limits.* TAEF should consider introducing a board succession policy that creates and fills as a matter of priority the positions of vice chair and deputy director to the chief operating officer (COO) to ensure a smooth transition in the event of sudden or unexpected change in the positions. Additionally, TAEF should consider limiting the maximum length of board service, for example to nine years (three terms) to ensure fresh thinking and new perspectives.
- *Selecting the location of board meetings and ensuring the physical presence of board members.* To maximize interaction and input among board members, it is recommended that the majority of U.S. board meetings be held face to face when possible—including in Washington, D.C. to allow for additional interaction (such as presentations and informal discussions) with USAID and other U.S. government representatives. Additionally, to facilitate closer engagement with and knowledge and understanding of TAEF (particularly among U.S. board members), board meetings should be held in Tunisia on a regular basis (for example, once a year). This would allow more interaction between the board and TAEF staff, investees, local partners and intermediaries, and other stakeholders, such as USAID/Tunisia, which would reinforce the board's knowledge and familiarity with the local context. Board and stakeholder networking opportunities could be scheduled before or after formal board sessions, as has been done in the Europe and Eurasia enterprise-fund board meetings.

## OPERATIONS

**An Effective Operational Foundation Has Been Laid.** With regards to TAEF's operations, the evaluation team finds that the existing operating structures, policies, and procedures at this stage of TAEF's operational history provide an effective foundation for implementing TAEF's investment goals as set forth in the legislation and grant agreement between USAID and TAEF. The TAEF team is small but appropriately sized for its current level of investment; as the portfolio grows, staffing may need to be adjusted. A portfolio-management data system also could support future growth along with improvements in the monitoring and evaluation (M&E) function. The evaluation team suggests the following recommendations for TAEF's consideration:

- *Adopting a portfolio-management data system.* TAEF's board and management team have identified the need to create a portfolio-management data system to monitor the portfolio as it grows to ensure that accurate and timely information is provided to the TAEF board, senior management, and USAID on TAEF's financial and development-impact performance. The evaluation team believes this idea is an important step that merits timely implementation.
- *Strengthening M&E.* To strengthen and validate its reporting on development impact and financial performance and to enable management to adjust its strategy if goals are not being met, TAEF may want to consider hiring a consultant to periodically (for example, once annually) support M&E training, data collection, entry, and analysis. Additionally, a staff person could be designated to coordinate the M&E function and interact with the consultant.
- *Introducing a whistle-blower policy.* TAEF should introduce a whistle-blower policy. While the organization is small in size, such a policy would formalize and ensure protection of staff identifying or reporting observed malfeasance, providing it with a sense of assurance. It also would demonstrate a good practice in a market where such policies may be infrequent or inadequate.

## PRIVATE-SECTOR ENGAGEMENT AND INVESTMENT STRATEGY

**TAEF Has Engaged the Private Sector Strategically and Has Designed an Investment Strategy that Should Enable It to Meet the Legislative and Grant Agreement Mandate.** TAEF has strategically engaged the private sector, along with other stakeholders, including USAID-funded projects as important elements in identifying investees. It has been careful to not raise unreasonable expectations that could have a negative impact on its reputation. TAEF has a very well thought-out investment strategy. It is designed to achieve the legislative and grant purpose of expanding Tunisia's private sector through a range of investments, which over the longer term should make the fund self-sustaining. The strategy also recognizes that it is important not to compete with the myriad of existing financial institutions and investment funds in Tunisia but focus on filling the gaps in SMEs access to finance.

Three and a half years into its operation, TAEF works with a broad segment of the micro, small and medium enterprise (MSME) sector in Tunisia through a variety of investment platforms, including co-investing with private equity funds, directly funding SMEs, and financing microfinance institutions and a business accelerator for start-ups. TAEF's flexible approach in structuring financing allows it to be creative in meeting the needs of many Tunisian SMEs. As noted in a summary of TAEF's investment portfolio dated October 15, 2017, \$45 million has been approved or disbursed in the following categories:

- \$6.4 million has been approved or disbursed for microenterprises
- \$16.8 through the Tunisian American SME Company (TASME), a wholly owned subsidiary of TAEF, for small-medium cap SMEs
- \$3.7 million for high-growth start-ups
- \$15.9 for large-cap SMEs

TASME's innovative debt-equity hybrid model, is particularly suited to family-owned SMEs but should be monitored closely in the future as investees begin to repay their loans and equity investments.

TAEF has clearly reached a wide segment of the SME market in Tunisia as well as micro-enterprises. There are several underserved markets, however, in which TAEF has had only limited engagement. These areas include the underdeveloped and vulnerable interior of Tunisia. To date, the majority of TAEF investments, with the exception of its investment in microfinance institutions, are located in the more well-developed coastal regions. In addition, there has been less investment in smaller SMEs, with financing needs in the \$50,000 to \$400,000 range. Finally, TAEF has invested directly in only a few women-owned SMEs, though there appears to be a strong positive impact on employment of women in many investees' SMEs. Going forward, TAEF may want to help fill gaps in the market by engaging more with these underserved geographic regions and SME segments.

TAEF has dual goals of achieving financial sustainability and development impact. While TAEF has strong processes in place to examine risk and financial return, documentation regarding development impact is limited. The evaluation team recommends that TAEF consider the following steps:

- *Documenting development impact considerations.* Given TAEF's dual goals, discussion of how development-impact factors into investment committee and board decisions should be better documented.
- *Exploring the underserved market.* While TAEF is addressing a wide range of market segments, including those that traditionally have struggled to obtain financing (such as large-cap SMEs, family-owned SMEs, high-growth start-ups, and microenterprises), there is a sizeable segment of

enterprises in Tunisia that continue to be underserved by banks and equity investors as well as TAEF. While specifically meeting the financing needs of these underserved segments is not mandated in the TAEF grant agreement or legislation, to ensure consistency with its investment strategy to fill gaps in the market, TAEF may want to consider taking additional steps to continue exploring and investing in these market segments, including the interior regions outside Tunis and other coastal areas, as well as smaller SMEs seeking \$50,000 to \$400,000 in financing and women-owned businesses.

- *Defining the interior.* In the M&E grant agreement indicators, the interior is defined as “non-capital area regions”—or, in other words, anywhere outside of Tunis. While investing in the coastal commercial centers of Sousse, Nabeul, and Sfax, where many TASME investees are located, will certainly have a positive impact, these areas typically are not considered the interior. The board should consider revising or expanding the existing definition of the interior to be “non-coastal underdeveloped regions” or “regions outside of greater Tunis.” This change in definition is important for accuracy in determining TAEF’s involvement in promoting the development of the vulnerable interior regions within Tunisia. If helpful, TAEF could consider utilizing three categories: Tunis, the developed coastal region, and the underdeveloped interior.
- *Expanding TAEF’s capital base after TAEF is fully invested.* With TAEF moving toward full investment, TAEF’s board and management should seek appropriate ways to increase its investment capital, beyond re-investment of its investment re-flows, to allow it to continue to make significant investments in the SME sector and create additional private-sector development impact, prior to its eventual wind down and liquidation. We believe that TAEF’s board is in the process of considering potential options in this regard, and we encourage them to continue to do so.

Based on the strong foundations that have been developed and with continued focus on directing TAEF resources to support key segments and regions within Tunisia, TAEF is well placed to support the development of a broad spectrum of businesses within Tunisia’s SME community during the next decade of TAEF’s active investment work in Tunisia.

# BACKGROUND

## LOCAL CONTEXT

Following the Arab Spring, Tunisia has experienced a relatively peaceful democratic transition, but it is struggling to develop a private sector that meets the employment and economic-growth needs of the country. Robust private-sector growth, particularly the creation and expansion of small- and medium-sized enterprises (SMEs) and the jobs these enterprises create, are critical to maintaining stability, democracy, and economic growth. In light of this, the United States Congress authorized an enterprise fund for Tunisia, the Tunisian American Enterprise Fund (TAEF).

Tunisia's economic situation remains fragile. On the positive side, after two years of stagnation, the economy saw a modest recovery in 2017 and is forecast to grow around 2.3 percent, based, in part, on increasing tourism revenues. Tunisia's economy, however, faces numerous challenges—high fiscal and external deficits, a sharp decline in the dinar, rising interest rates to curb inflationary pressures, high unemployment (especially among university-educated youth), and social unrest. Moreover, the government has had difficulty meeting its commitments to reduce the high and growing fiscal deficits and reform tax policy and administration. Other reforms critical to private-sector development have yet to be enacted. In addition, retroactive government-mandated salary increases weigh on profitability and job creation. Strict foreign-exchange controls impact the ability of enterprises to import critical inputs on a timely basis and delay needed foreign investment, including some of TAEF's investments.

SMEs' access to finance remains problematical. Private banks are risk-averse and only a few have shown interest in servicing the SME market. Even then, most loans are collateral-based and efforts to implement modern credit-risk analysis and cash-flow lending practices have been limited. Instead of lending to the SME market, private banks prefer less risky investments in government paper and financing household purchases of real estate. Banks also state that the cap on interest rates makes it difficult for them to adequately price riskier lending to SMEs. A weak bankruptcy system is another disincentive to SME lending. Tunisian equity funds do invest in SMEs, but generally focus their investments on larger-cap SMEs.

Large amounts of non-performing loans hamper state-owned banks. Efforts to restructure the banks have been delayed continuously, though recently there have been signs of progress. A number of government programs have been established to promote SMEs' access to finance, but many of them are restricted to the disadvantaged regions in the interior and to certain sectors. Most are viewed as inefficient, time-consuming to access, and not effective.

## TUNISIAN AMERICAN ENTERPRISE FUND BACKGROUND, HISTORY, AND STRUCTURE

TAEF is modeled generally on enterprise funds that the United States Agency for International Development (USAID) created in Central and Eastern Europe in the 1990s. The Central and Eastern Europe enterprise funds operated in command economies that lacked market-based financial institutions. In contrast, Tunisia has a market-based economy with a well-developed financial sector. Thus, although the host-country regulatory regime often is challenging, TAEF does not face the same challenges as working in a formerly centrally planned economy. Moreover, USAID can benefit from applying best practices and lessons learned from the Europe and Eurasia funds.

TAEF is an independent, autonomous organization governed by a board of directors consisting of six American and three Tunisian members. It is a non-profit, tax-exempt corporation, incorporated in Delaware. The State Foreign Operations and Related Programs Appropriations Act, fiscal year 2012 authorized TAEF. In July 2013, USAID and TAEF's chairman of the board signed the TAEF grant agreement

(grant). Initially, the grant was funded with \$20 million. Since then, the grant has been amended to increase its ceiling and to obligate additional funding of \$60 million, bringing its total funding amount to \$80 million. USAID anticipates a final obligation of \$20 million; if this funding is received, it would bring TAEF's total funding to \$100 million.

TAEF has structured three wholly owned subsidiaries:

- The TAEF Advisory Company, founded in 2014 and based in Tunis, handles investment-management and strategy implementation for TAEF, oversees all investment entities, and manages back-office functions for all subsidiaries.
- The Tunisian American SME Company (TASME), founded in 2015, is an investment company 100 percent owned by TAEF and based in Mauritius. TAEF has allocated \$50 million to TASME for SME investments.
- The SME Consulting Company is a Tunis-based investment management firm that serves as the acting general manager of TASME.

Please refer to the Operations section for more details on TAEF's structure.

## **TAEF PURPOSE AND GOALS**

The TAEF grant agreement states that its purpose is as follows<sup>1</sup>:

As provided in the Act, the purpose of the Fund is, through loans, microloans, equity investments, insurance, guarantees, grants, feasibility studies, technical assistance, training for businesses receiving investment capital, and other measures, to promote: (i) development of the Tunisian private sector, including small businesses, the agricultural sector, and joint ventures with United States and Tunisia participants; and (ii) policies and practices conducive to private sector development in Tunisia. In particular, the Fund will seek to encourage the creation and expansion of SMEs in Tunisia. The Fund will seek to accomplish its purpose through transactions which are intended to assist in the initiation and expansion of a wide array of private enterprises, promote and disseminate international business know-how and best practices and demonstrate to other potential investors that private sector investment can be undertaken profitably in Tunisia. In addition, it is anticipated that the Fund, through its operations, will help identify and promote policies and practices which are needed to encourage and facilitate private investment. The Fund will seek to develop an investment portfolio which, over the long term, will make the Fund self-sustaining.

The TAEF grant agreement contains the following goal statement:

The goal of TAEF is to increase private sector investments in promising SMEs in Tunisia's economy, to promote and disseminate international commercial best practices; and attempt to "crowd-in" investment in Tunisian SMEs from other sources. All of these objectives are consistent with USAID's goal of a more competitive, private sector-led, and inclusive Tunisian economy.

Taken together, the financial profitability of the fund and its ability to stimulate the private sector in Tunisia are key objectives, which are consistent with USAID's goal of a more-competitive, inclusive, and private-sector-led Tunisian economy.

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<sup>1</sup> TAEF grant agreement, AID-ASIA-G-13-0004

## **STRATEGIES**

To achieve its objectives, TAEF utilizes different approaches to reach four key market segments: microenterprises, SMEs, high-growth start-ups, and larger SMEs. The largest investments, however, are centered around growing the SME segment of the market. Investment decisions are meant to achieve development and social impact—including supporting women-led and -owned businesses and increasing employment of university-educated youth, entrepreneurship, and geographic diversity focused on the interior as well as the more-developed coast.

# EVALUATION PURPOSE

USAID's Middle East Bureau sought to conduct a full, evidence-based, and independent early-implementation evaluation of TAEF's first three and a half years of implementation. TAEF represents a distinct approach to promoting private-sector development and furthering U.S. foreign-policy objectives. Now that TAEF has commenced full operations, it is an opportune time to evaluate and take stock of the accomplishments and challenges encountered by TAEF, as well as to garner important lessons learned to inform future work.

The purpose of this first evaluation was to rigorously examine how the processes, governance, and operational structures established to date are laying the groundwork for TAEF to achieve its legislative and grant-agreement purpose of developing Tunisia's private sector. Based on the Eastern European experience, it is hypothesized that these early processes are key to the activity's later success. The evaluation provides a comprehensive assessment and documentation of TAEF's performance to date and adherence to its mandate in relation to establishing the processes, governance, and operational foundations for success. This evaluation also lays the groundwork for the midterm and final evaluations. There is also significant interest within the U.S. government in obtaining more information on TAEF's experiences and accomplishments and how this model may be adopted as one element of a broader, long-term economic-assistance effort by USAID and other donors.

The primary target audience of the evaluation is USAID/Middle East staff based in Washington as well as TAEF's board and senior managers. The secondary audience includes USAID/Tunisia, other USAID bureaus, the U.S. Congress, the State Department's Bureau of Near Eastern Affairs, the Government Accountability Office, the government of Tunisia, and Tunisian private-sector institutions (such as chambers of commerce and possibly think-tanks that focus on private-sector development).

# EVALUATION QUESTION

To meet the evaluation's goals, the research team sought to answer the following question:

## Laying the Foundations for Success

What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia's private sector?

The team answered this question by addressing the following sub-evaluation questions (EQs):

- 1. Governance:** Has TAEF established appropriate and effective governance structures (such as its board and other entities)? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success? (EQ1)
- 2. Operations:** Has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success? (EQ2)
- 3. Private-sector engagement:** What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms, and have these generally been successful to date? (EQ3)
- 4. Investment strategy:** Are TAEF's investment strategy and approach tailored to the needs of Tunisian firms? (EQ4)

# METHODOLOGY

The evaluation team applied a mixed-methods approach, drawing on qualitative and quantitative data to inform the evaluation of TAEF. This approach allowed the evaluation team to describe and assess the foundations that TAEF has established to date to successfully achieve its legislative and grant agreement purpose of developing the Tunisian private sector. The inclusion of qualitative methods in the evaluation design enabled the team to improve its understanding of the initial steps toward success and perceptions of TAEF across the areas of governance, operations, private-sector engagement, and investment strategy. Additionally, the TAEF evaluation is gender sensitive, locally nuanced, and grounded in USAID's Evaluation Policy and best practices in research.

As a component of the methodological approach, the evaluation team assessed corporate-governance issues using an adaptation of the International Finance Corporation's (IFC) corporate-governance assessment methodology with particular reference to the following four areas:

- **Board Commitment.** Assessed the structure and composition of the board, including existence and responsibilities of committees; qualifications, experience, and expertise of individual board members and how this contributes to board decision-making; and policies and practices relating to selection of board members, including existence of and adherence to term limits, succession policies, and chairman and/or board evaluation and follow-up.
- **Control Environment.** Existence of and adherence to internal controls with respect, in particular, to ensuring reliable and effective stewardship of TAEF's assets and compliance with relevant regulations (speaking to the board's fiduciary role); risk management, i.e. identification of risks and mitigating actions; and procedures related to ensuring sound internal management of investment and financial information, including an independent audit function.
- **Disclosure and Reporting Practices.** Provision of regular and timely reporting to the relevant oversight body, for example the U.S. government (USG) or USAID as set out in the grant agreement; extent to which reporting provides relevant, accurate, and timely representation of economic transactions and allocation of resources; more broadly, indications of TAEF's relationship with USAID/USG.
- **Stakeholder Engagement.** Refers to TAEF's outreach in Tunisia, including to stakeholders, investees, or recipients of technical assistance; partners in investment or related institutions (for example universities), government, and civil society where appropriate; perceptions and profile of TAEF in-country among investees/beneficiaries, partners, and competition; relations with government, donors, and international financial institutions.

The evaluation team has incorporated these themes into the evaluation design across the four EQs and the corresponding data-collection tools and instruments.

## DATA-COLLECTION TOOLS AND INSTRUMENTS

The evaluation draws on qualitative and quantitative data gathered from electronic surveys, key informant interviews (KIIs), focus group discussions (FGDs), and site visits to inform the EQs. Additionally, the team has drawn on literature to inform the design of data-collection tools and instruments and to triangulate the observed results of the evaluation. For a summary of methods by EQ and type of respondent, see the evaluation matrix included in Annex I as well as Table I below.

**Table 1: Summary of Evaluation Methods**

Respondents	Methods	Evaluation Questions
TAEF board, management and staff	Electronic survey, KII	1,2,3,4
USAID	KII	1,2,3,4
Financial intermediary investees and co-investors	KII	3,4
SMEs and investees	KII, FGD, site visits	3,4
Other stakeholders	KII	3,4

As highlighted in the evaluation’s approved workplan, the evaluation team collected data in the United States and Tunisia from Oct. 24 through Nov. 10, 2017.

The following sections highlight the data-collection tools and activities that have been administered to inform the evaluation.

## DESK STUDY

The evaluation team conducted a desk review, examining a range of documents including the TAEF grant agreement; performance management plan (PMP) and reporting; annual reports and financial statements; fund performance data; literature on USAID’s experience with enterprise funds and Tunisian private-sector development, financial sector, and SMEs; and internal TAEF policies, procedures, and investment documents. Themes and findings from the desk study were incorporated into the research process and summarized in the evaluation reports. A total of 38 of documents have been reviewed.

## ELECTRONIC SURVEYS

Electronic surveys were used to triangulate quantitative survey findings with qualitative data and a desk study. The team administered three sets of electronic surveys targeting TAEF’s board, management and staff, and investees. All respondents had the option to take the survey in French or English. Please refer to Annex IV for copies of the electronic surveys. USAID reviewed and approved surveys prior to use. Surveys were administered using Google Forms. Surveys targeting TAEF’s board and management staff addressed all four EQs. The survey targeting investees addressed EQ3 and 4 and to a lesser extent EQ1.

To increase the likelihood of response, TAEF senior management emailed a personalized call to respond, highlighting the importance of this evaluation, to each category of respondents (excluding themselves). Surveys were distributed to all nine board members, nine TAEF staff members (including the three managing directors, four investment managers, public relations and communication manager, and accountant and financial controller), and to all 15 of TAEF’s direct investees through TASME across Tunis, Sfax, and Sousse. The following table summarizes the electronic survey response rate.

**Table 2: Response Rate to Surveys**

Type of Respondent	Electronic Surveys Distributed	Respondents	Response Rate to Date
TAEF board <sup>2</sup>	9	9	100%
TAEF senior management and staff	9	9	100%

<sup>2</sup> The evaluation team received 10 responses from the board of directors’ electronic survey. As the TAEF board consists of nine members including the chairman, the evaluation team concluded that one member completed the survey twice. All quantitative data representing the board of directors’ electronic survey reflect ten submissions.

Type of Respondent	Electronic Surveys Distributed	Respondents	Response Rate to Date
TAEF investees	15	13	87%

The evaluation specialist compiled and analyzed survey findings and used these quantitative metrics to inform the analysis of data across all methods of data collection.

## KEY INFORMANT INTERVIEWS

In addition to the electronic survey, the evaluation team conducted 64 KIIs with TAEF board members, management, and staff; USAID and other U.S. stakeholders; financial intermediaries and co-investees; SMEs; TAEF SME investees; and other stakeholders. KIIs were approximately one hour in length and used semi-structured interview protocols to gain a contextual understanding of key issues. The evaluation team compiled a list of key informants based on consultations with USAID and TAEF as well as through the desk study of relevant documents and literature. Please refer to Table 3 below for a summary of KIIs and Annex IV for KII guides, which USAID reviewed and approved prior to use.

**Table 3: Summary of Key Informant Interviews**

Method	Participants
Key Informant Interviews	<ul style="list-style-type: none"> <li>TAEF board of directors: 8</li> <li>TAEF senior management and staff: 12</li> <li>TAEF investees: 19</li> <li>USAID/USG programs: 7</li> <li>Financial intermediaries and co-investees: 6</li> <li>International financial institutions: 2</li> <li>Other: 10</li> </ul>

**TAEF board, management, and staff.** The evaluation team interviewed eight of the nine board members, including the chairman and TAEF board members in the United States and Tunisia. The team also conducted KIIs with TAEF’s chief operating officer (COO), managing directors, and key staff (including the investment managers, the public relations and communications manager, and the accountant and financial controller). The board, management, and staff KII guides were used to gather inputs that inform all four EQs.

**USAID/US Stakeholders.** The evaluation team conducted KIIs with a range of USAID staff, including USAID/Middle East, and other U.S. stakeholders. These KIIs focus on EQs 1, 3, and 4.

**Financial Intermediary Investees and Co-Investees.** The team interviewed major financial intermediary investees and co-investors, including TunInvest Croissance, FLAT6Labs, BIAT Labs, microcredit institution Taysir and INMA Holding. KIIs focus on answering EQs 3 and 4.

**TAEF Investees.** After reviewing TAEF documents and discussions with TAEF senior management, the team identified a select number of SME investees with whom to meet, primarily through site visits in Tunis, Siliana, Kairouan, Sousse, Sfax and Gabes. KIIs focused on answering EQs 2, 3 and 4. KIIs were conducted with 19 investees including six TASME investees, four co-investees, and nine microfinance investees through Taysir. Of the 19 investees, six were women-owned. SME KIIs included site visits to investee businesses where the team observed firsthand the type of business, its commercial viability, how it uses financing, and its prospects for expansion and employment generation, among other issues. Steve Eastham,

team leader, and Jean Lange, financial-sector specialist, attended TAEF investee site visits, accompanied by the evaluation team’s interpreter as needed.

**Other Stakeholders.** The team conducted KIIs with other stakeholders, including USAID economic growth programs the Business Reform and Competitiveness Program (BRCP) and Center for Entrepreneurship and Executive Development (CEED), United Nations Industrial Development Organization (UNIDO), one private bank, lawyers affiliated with TAEF, the Overseas Private Investment Corporation-supported Middle East Investment Initiative, universities, the IFC and the European Bank for Reconstruction and Development (EBRD), and several business associations in Tunis and other cities. Stakeholder interviews focused on EQs 1, 2, 3, and 4.

## FOCUS GROUP DISCUSSIONS

The evaluation team used FGDs to gain a deeper understanding of Tunisian SMEs’ challenges in accessing finance and other constraints to growing their businesses as well as their knowledge and perceptions of TAEF. The evaluation team conducted three FGDs, including one FGD with nine Taysir microbusinesses; two FGDs with 30 SMEs in Sfax; and three FGDs with 12 SMEs in Tunis. The team worked to ensure that FGDs included women business owners. Accordingly, the microenterprise FGD included five women-owned businesses; the Sfax FGD had three businesswomen; and the Tunis FGD had four businesswomen. The FGDs explored EQs 3 and 4. The FGD guides were developed by adapting the SME KII guide, following several KII with SMEs in Tunisia.

**Table 4: Focus Group Discussions**

Method	Participants
Focus Group Discussions	<ul style="list-style-type: none"> <li>SMEs in Sfax: 30</li> <li>SMEs in Tunis: 12</li> <li>Taysir-financed microbusinesses: 9</li> </ul>

## SAMPLING

The evaluation team employed purposeful sampling for KIIs with participants identified through the evaluation team’s desk review and in consultations with the TAEF, USAID/Washington, CEED, and financial intermediaries. Selection criteria for KIIs and site visits with TAEF’s investees focused on capturing the maximum variation of investees, including their business type (such as sector and size), geographic location, and relevant demographics—in particular, ensuring a proportional representation of women in the sample. To avoid actual or perceived bias, informants were identified through TAEF, but final sampling decisions were made independently of TAEF staff.

## DATA QUALITY ASSURANCE

At the project’s launch, the evaluation team received an orientation on the evaluation’s purpose, its design, and gender-sensitive interviewing and FGD techniques. Protocols were established for note taking that included regular submission of notes to the team leader to enable real-time review and feedback. Mr. Eastham directed the team with changes to the instruments based on emerging trends or unanticipated lines of inquiry that were relevant to the EQs. Following best practices, two or more evaluation team members were present at all FGDs, with one facilitating the discussion and the other taking notes and documenting observations.

## **GENDER CONSIDERATIONS**

Banyan Global's gender practice manager conducted a gender and evaluation orientation, providing the evaluation team with guidance on integrating gender into the entire evaluation process, including designing the evaluation, developing gender-sensitive surveys and interview guides, conducting gender-sensitive interviews and FGDs, and data analysis and reporting. To ensure gender integration, Banyan Global's gender practice manager reviewed key surveys and interview guides. The gender practice manager also supported the team during the analytical process to ensure the final report addressed gender considerations.

## **DATA ANALYSIS**

The evaluation team drew on various data-collection methods and analytical tools to inform the four EQs. Using trend analysis and divergence/convergence (degree of agreement in interview and FGD responses), the evaluation team developed the evidence-based findings and conclusions presented in this report. The findings and conclusions were analyzed using the relevant data-collection methods within each EQ as well as across the EQs, where appropriate, to draw global conclusions.

The evaluation team conducted a preliminary data analysis to promote ongoing learning and to adapt evaluation tools and instruments as needed. The team developed a system of coding trends by EQ that incorporates a system of crosschecking against multiple sources and interviews, which will be presented to USAID as part of the final report. Attribution in a performance evaluation can be difficult and confounding factors can have an impact on results. The team leveraged insights from having observed the situation on the ground in Tunisia and developed recommendations, taking full advantage of its diversity in sector knowledge and local context, as well as the evaluation's entire body of interview results. As a final step, the entire evaluation team provided feedback on the summary findings and recommendations, ensuring completeness and veracity of findings.

# LIMITATIONS

## EVALUATION DESIGN LIMITATIONS

While the team conducted a rigorous and thorough evaluation, some limitations may have had an impact on the evaluation findings. Limitations by method type are summarized here.

**Interviews:** KIs constituted the primary source of information in answering all EQs. Interview data are known to be prone to cognitive biases, including recall and social-desirability bias. The TAEF evaluation team endeavored to reduce the potential cognitive bias in the research and ensure the validity and reliability of its findings through the systematic triangulation of interview and document sources and selecting interview participants encompassing TAEF and third parties. While KIs and site visits were an important way of exploring issues, they are not representative and are subject to respondent bias. There is a risk that TAEF or its partners tried to steer the team towards more successful investees. The evaluation team attempted to mitigate these limitations by speaking to a range of KIs and investees, as well as respondents who have not received TAEF investment. The final selection of research informants was at the team's discretion.

**Electronic Surveys:** While electronic surveys can reach large numbers of respondents, the challenge is often low uptake and the inability to ask probing questions. The evaluation team worked with TAEF senior staff at the beginning of the evaluation to solicit their support in informing potential respondents of the purpose and importance of the electronic surveys, highlighting their anonymous nature too. This action led to a strong response rate.

**FGDs:** While FGDs allowed the evaluation team to interact with more SMEs in open-ended discussions, they are not necessarily a representative method, can be subject to respondent bias, and can be skewed by individuals who dominate (or do not participate fully in) the discussion. The benefit of FGDs is that they can draw out divergent thinking, for example when conflicting perspectives lead to a debate among FGD participants.

**Desk Study:** Desk studies can provide important information and often reveal gaps. It can be difficult, however, to obtain all necessary documents, especially ones that are confidential in nature. While TAEF and USAID were forthcoming in providing the evaluation team with access to the majority of the documents requested to support the evaluation, there were several important documents that the team was not able to review due to their sensitive nature and pre-existing non-disclosure agreements.

Taken together, the mixed-methods approach of using KIs, electronic surveys, FGDs, and desk study reflects a research design that will lead to clear and valid data collection, analysis, findings, and recommendations. All research designs face limitations, such as those indicated in this section; yet the principle of triangulation across methods ensures the quality of findings in this performance evaluation.

# FINDINGS

The TAEF evaluation assesses to what extent TAEF has laid the foundations to promote the successful achievement of their legislation and grant agreement purpose of developing Tunisia’s private sector. The evaluation team focused on four key areas—governance, operations, private-sector engagement, and investment strategy—to evaluate TAEF’s foundations and generate recommendations looking ahead. Key findings are grouped in this section by evaluation question.

## GOVERNANCE

**EQ 1: Has TAEF established appropriate and effective governance structures (such as its board of directors and other structures)? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

The objective of the first EQ is to determine if TAEF has established a well-functioning board of directors that interacts and provides oversight and direction to the management team and governance structures. The evaluation also explored whether the TAEF management team and staff have established, with board guidance, appropriate processes and documentation for conducting TAEF investment activities. The evaluation team further assessed the extent to which TAEF has established appropriate modalities incorporating good governance in the areas of internal control, disclosure and reporting practices, and stakeholder engagement.

### BOARD OF DIRECTORS’ QUALIFICATIONS, STRUCTURE, AND DYNAMICS

To inform EQ1 and measure the effectiveness of the board in relation to the established governance structures, the evaluation team gathered data on the selection and approval process for board members and information on the existing board’s composition.

#### Board of Directors Composition

TAEF’s board was established in 2013 and consists of nine members. Six originate from the United States and the remaining three are Tunisian. The evaluation team surveyed all nine members and conducted KIs with eight of them, including the chairman. The board includes chairman Bowman (“Bo”) Cutter and directors Ferid Abbas, Ahmed Benghazi, Gil Crawford, Lauren Hendricks, Mohamed Malouche (treasurer), Howard Newman, Medhi Sethom, and Ann Wyman.<sup>3</sup>

Of the nine board members, seven are male, including the chairman, and two are female. All nine board members have experience in finance or investment and five have experience in Tunisia. All but one has a background in development.

The evaluation team found that TAEF’s board brings a strong set of complementary financial, investment, and development experience well suited to TAEF’s objectives. It also conforms to international best practices with respect to board composition, as well as to governance of an investment fund with a development mandate. The board represents an appropriate mix of skills, qualifications, and knowledge of Tunisia. Given TAEF’s objectives, each member brings considerable added value to the board’s oversight role, including the development and ongoing refinement of TAEF’s investment strategy and overall decision-making. All directors appear to enjoy excellent reputations in their fields and bring a range of

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<sup>3</sup> Board members on all USG Enterprise Funds serve pro bono.

qualifications and perspectives to the board, and all are characterized as strong personalities, who are comfortable freely expressing their opinions and requests.

### **Selection and Approval Process of Board Members**

In accordance with Congressional legislation, the TAEF Certificate of Incorporation sets a quota for the ratio of U.S. to Tunisian members in an effort to maintain strong U.S. presence on the enterprise fund board (as was the case in Eastern Europe). The TAEF Certification of Incorporation states:

“The aggregate number of U.S. Directors and Tunisia Directors constituting the entire Board of Directors shall be nine (9). Six (6) members of the Board of Directors shall be US Directors and three (3) members of the Board of Directors shall be Tunisia Directors.”

The evaluation team found that the TAEF board is in compliance with this requirement with three Tunisian and six American board members.

To become a member of the TAEF board, candidates must pass a selection and approval process. There is no board nominating or search committee. The board appointment, selection, and approval process begins with the chairman of the board and the COO identifying and vetting candidates and reviewing qualifications and potential conflicts of interest. Candidates with expertise in the field of investment and development are sought; experience in and knowledge of Tunisia is considered an asset. Candidates undergo a series of interviews with the chairman and, for candidates residing in Tunisia, also with the COO. Following the initial selection of a candidate, TAEF engages the services of a compliance company (K2) to conduct due diligence for any potential conflict of interest or identification of politically exposed persons and in compliance with USAID requirements, performs a review of U.S. and European databases and the World Compliance Database. The cost to complete these processes is \$5,000 to \$10,000 per board member. Upon receiving clearance from K2, TAEF proposes the candidate to USAID via memo for approval.

The approval process includes review and approval from USAID, the U.S. Department of State, and the White House, and it can extend over a maximum period of six weeks (each reviewer has up to two weeks to approve or disapprove the proposed candidate). Pending the absence of a response from USAID, the U.S. Department of State, and the White House over this six-week period, the candidate is considered approved and is appointed. To date 10 candidates have been proposed, with all but one approved.

The process of identifying board candidates appears to be working well, with a current board of highly qualified directors well suited to their role governing TAEF and laying a solid foundation for its future success. In both the cases of TAEF and TASME, however, a more-structured approach to identification of board members may be warranted in the future and subsequent evaluations should revisit it. For example, establishing a nominating committee to address future vacancies for the TAEF board, and possibly TASME too, alongside a more-structured interview and proposal process may lend institutional reinforcement to the process.

### **Roles and Responsibilities**

The delineation of roles and responsibilities is critical to a properly functioning board. The TAEF board assumes a variety of functions, including corporate governance and oversight, investment, operations, and communications. On the corporate side, the board's responsibilities include reviewing and discussing regular updates on fund investments, operations, and outreach to the government of Tunisia (GoT) as provided by staff; validation of policies and procedures; compliance and risk management; and investment strategy (which is now operational). The board also is responsible for other areas of TAEF, including operations, human resources, and ongoing communication with key stakeholders and donors.

In addition to the responsibilities noted previously, TAEF has established investment and audit committees. It has not established a governance committee. The investment committee, which includes the full board, is responsible for assessing the feasibility and likelihood of success of investments with regard to reliability of projections, rigor of analysis applied by the investment staff, and potential for any adverse developments that could affect investment performance or reputational issues. Following the submission of vetted investment proposals from senior management, the investment committee reviews and determines the final selection of all of TAEF's direct investments. Investments made through TASME are reviewed and vetted by a separate investment committee. Please see the following text box for details.

### **TASME BOARD OF DIRECTORS**

TASME's board of directors, responsible for governance of the TASME company, is composed of a two Mauritius resident board members, who are employees of Trident, the fund administrator, and two TAEF representatives, the chairman of the board and COO.

TASME's board of directors meeting minutes are routinely reported to the full TAEF board of directors. Investments made through TASME are reviewed and selected by the TASME investment committee, which is composed of three TAEF board members, the TAEF COO, and an independent TAEF appointee.

The TAEF audit committee includes the chairman of the board and the treasurer, who also serves as a board member. An external auditor conducts an annual financial audit, reports to the audit committee, and presents audit findings to the full board.

### **SUCCESSION PLANNING AND LENGTH OF SERVICE**

Despite the quality and complementary nature of TAEF's board, it does not have a succession plan or policy in place. With the chairman also serving as the president of the fund and there being no vice chairman, the second highest-ranking officer is the COO in Tunisia. The evaluation team did find that succession planning was identified as a medium priority as part of TAEF's own risk assessment (please see below for more details on TAEF's risk matrix for assessing risk) and is currently under board discussion.

The chairman of the board selected and proposed the COO following an extensive search in Tunisia during several visits to the country. The candidate underwent a rigorous vetting process and background check, including through the World Compliance Database. The full board approved the selection of the COO. Several TAEF board members and senior staff noted that identifying a candidate for the COO position with the required professional credentials coupled with the manifest commitment to Tunisia's development was challenging.

While the evaluation team found that a board term is defined as three years, there is no maximum number of terms that can be served, allowing members to serve on the board indefinitely. Best practice suggests some limitation be placed on the number of terms directors serve to ensure turnover and fresh thinking.

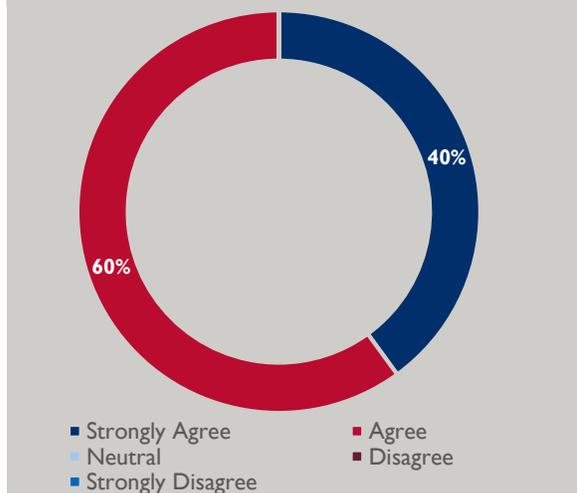
### **BOARD MEETING ARRANGEMENTS**

TAEF's board holds quarterly meetings, which were generally found to be conducted remotely by telephone. A board meeting is held in Tunis once every other year. The evaluation team found that the limited number of in-person board meetings are due to directors' busy schedules and, according to some key informants, to conserve funds. Additionally, one board member is unable to participate in board meetings in Tunisia for security concerns. Good-governance practice suggests that reasonable limitations

be applied to the number of boards or other major commitments a board member can have to ensure sufficient time is available for board service. For example, the IFC imposes a limitation of five board positions on its nominee directors.

The evaluation team believes that more frequent face-to-face board meetings would reflect best practices and enhance collaboration and communications among all board members. Annual board meetings held in Tunisia, for example, would further strengthen the board's relationship with TAEF management, investment managers, investees, investment partners, financial intermediaries, and other stakeholders. Directors' physical presence at board meetings, both within the United States and in Tunisia, also would reinforce the board's role of serving and representing TAEF as an entity by interfacing more with its staff and a range of stakeholders, including USAID. TAEF's current board-meeting practice contrasts, for example, with the enterprise funds in Eastern Europe, which typically held board meetings once annually in-country and three other face-to-face meetings during the year in the United States.

Figure 1: To what extent do you agree with the following statement: **“The TAEF board of directors’ level of engagement is adequate to ensure oversight.”**



Despite the lack of face-to-face interaction among board members, the evaluation team saw evidence of good collaboration between U.S. and Tunisian directors as well as TAEF staff. Based on the results of the electronic survey, the evaluation found that TAEF's senior management and staff believe that the board's current level of engagement is adequate to ensure oversight (please see figure 1<sup>4</sup>). TAEF senior management looks to U.S. board members for technical analysis of investment structures, while Tunisian directors bring local networks and knowledge, including identifying potential Tunisian advisors and partners, as well as situations where caution may be required. Notably, despite the full board's lack of face-to-face interaction with TAEF's senior management, staff, investees, and other key stakeholders in Tunisia, TAEF's chairman has visited Tunisia frequently and thus has been able to advise the GoT on financial-sector policy initiatives to improve private-sector development in Tunisia and to interface with USAID, TAEF staff, and investees.

### TAEF's Relationship with USAID

The chairman provides USAID with in-person briefings after each board meeting and upon return from visits to Tunisia, which occurred four to five times per year on average. Additionally, TAEF provides USAID with a written annual report summarizing financial and development data.

TAEF staff indicated a collaborative relationship with USAID characterized by TAEF's adherence to requirements and expectations, including those on reporting, as set out in the grant agreement and by TAEF's attention to providing USAID with full disclosure of compliance issues and potential conflicts of interest. Based on the evaluation team's findings, these sentiments align with USAID's perception of the TAEF's relationship with USAID.

<sup>4</sup> TAEF Evaluation, Senior Management and Staff Electronic Survey, 2017.

## INTERNAL POLICIES, CONTROLS, AND RISK MANAGEMENT

TAEF's audit committee oversees compliance and risk at the corporate level, with the grant agreement and corporate policies serving as the guide for compliance. Quarterly risk assessments are presented to the board (described below). Additionally, TAEF has appointed the U.S.-based managing director as TAEF's compliance and risk officer, with responsibilities for U.S. operations and relationships with USG entities and the board. As compliance and risk officer, she oversees preparation of record keeping and reporting.

Based on the responses gathered from the evaluation's electronic survey, the evaluation team found that board members have a high-level of confidence in TAEF's commitment to standards, internal control, risk management, and the efficacy of USAID oversight. Please see figure 2.<sup>5</sup>

### Financial Management and Reporting

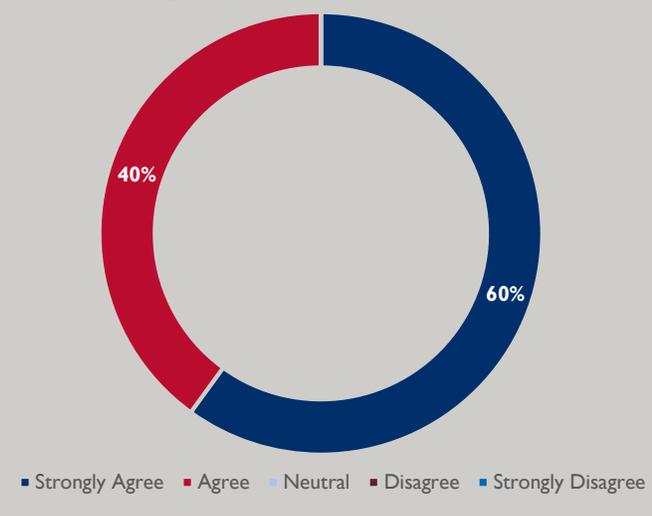
The accountant and financial controller handles financial management and reporting under the supervision of the COO, who is a certified chartered accountant. TAEF produces quarterly reports for the board and receives monthly financial statements from each of its subsidiaries. Findings indicate that TAEF's financial reporting is current. TAEF recently revised its financial reporting format for the board with a view to enhancing its utility, presenting critical financial results and pertinent company information in a consolidated and accessible way. TAEF will begin implementing the revised financial reporting format by the December 2017 board meeting.

### Taxation

The evaluation team did not conduct a tax review of TAEF, as that was outside of this evaluation's scope. The evaluation team was advised, however, that there are no U.S. tax-related matters pending for TAEF.

The evaluation team also learned of a law introduced in Tunisia in 2015, in which Delaware, where TAEF is incorporated, was defined as a tax haven—resulting in a withholding tax of 20 to 25 percent for entities registered in that state. TAEF has reviewed this new law and believes it has taken appropriate steps, including working with the government, to minimize the impact of this legislation.

Figure 2: To what extent do you agree with the following statement: **"TAEF maintains strong internal controls and risk-management systems that ensure sound stewardship of TAEF's assets and compliance with relevant laws and regulations."**



### Foreign Account Tax Compliance Act Training

Foreign Account Tax Compliance Act training was provided to board members in 2015, on TAEF's initiative, as part of the fund startup process to ensure directors' knowledge of, and compliance with relevant regulation.

<sup>5</sup> TAEF Evaluation, Board of Directors Electronic Survey, 2017.

### Mock GAO Audit

TAEF has prepared a mock Government Accountability Office (GAO) audit as a proactive step to ensure full compliance with GAO policies and regulations.

### Audits

Audits are conducted annually for TAEF and its subsidiaries. The compliance and risk officer, with the assistance of an external accounting consultant, oversees U.S. consolidation, under the oversight of the audit committee.<sup>6</sup> There has only been one instance of a recommendation resulting from a U.S. audit: to designate and hire as staff a compliance and risk officer. This suggestion has been done, with the position title of managing director. TAEF's audit committee is handling internal audits as a standard governance practice.

### Risk Management

TAEF has developed a risk matrix setting out the range of possible risks, their consequences, recommended mitigating measures, and assignment of priority to guide the board and senior staff in identifying, assessing, and preventing or addressing developments that could affect TAEF operations adversely. Risk categories include financial, key person, human resources, country, operations, legal, political, and compliance.

The TAEF risk matrix is a well-thought out tool identifying and addressing what appear to be the main operational risks that TAEF faces. It is a good application of a standard governance tool.

Examples of risk categories and identifications include the following areas,

- **Financial risk:** In terms of funding, Congress may not appropriate the full \$100 million as expected. Consequences include impact on staff recruitment and retention and the fund's ability to carry out its full mission. Mitigation includes outreach to USAID, Department of State, and Congress, as well as recruitment of allies. The priority assigned is high.
- **Key person risk:** Departure of chair or COO, with loss, respectively, of effective leadership and relationships with USG and GoT, as well as the ability to implement vision and strategy at operational levels. Mitigation is succession planning, with priority assigned as medium.
- **Compliance risk:** USAID/GAO discover lack of meaningful compliance with grant agreement. Consequence is loss of investments, reputational damage, and inability to operate. Mitigation includes preparation of compliance dashboards on a quarterly basis for board tracking, annual financial audits, and a mock GAO audit to anticipate potential issues. Priority assigned is high.

The evaluation team found that the risk matrix is a well-thought-out tool identifying and addressing what appear to be the main operational risks that TAEF faces, and it is a good application of a standard governance tool. The evaluation team generally concurs with the content with one exception: regarding the ranking of the key person risk as a medium priority. The evaluation team considers that succession of the chairman and of the COO as high-priority issues for TAEF, as departure of these individuals would cause a major disruption in TAEF operations.

### Conflict-of-Interest Policies and Compliance

Conflict-of-interest policies are set and implemented as prescribed in TAEF's grant agreement and articulated in the board-approved corporate policies and procedures. Conflict-of-interest statements are signed annually by board members and all staff on joining.

<sup>6</sup> TAEF also avails itself of advice and guidance as needed from Raffa Associates, a provider of accounting, tax, and business services for the not-for-profit sector.

Compliance issues have been limited and TAEF has taken care to communicate them as they arise to USAID for its consideration and approval. TAEF requires that all investees sign certification regarding avoidance of transactions with prohibited individuals and sectors, and compliance with TAEF's environmental- and social-impact requirements are set out in shareholder agreements. These requirements are appropriate and conform to internationally accepted governance practices.

TAEF staff members note that they continually are reviewing and improving their compliance processes given the evolving nature of their work.

The team has reviewed examples of TAEF's communications with USAID on matters relating to potential conflict of interest and compliance and found these areas to be well managed and in order, with appropriate mechanisms for addressing such situations in place as they arise.

### **Legal and Regulatory Issues**

TAEF avails itself of legal counsel with different areas of specialization (such as corporate or tax matters) as needed in Tunisia and the United States. Such counsel is on call for issues and questions as they arise. TAEF and its subsidiaries appear to have appropriate business-registration documents and to be in good standing in their jurisdictions. The evaluation team is not aware of any pending claims.

TAEF manages its relations with GoT actively and on an ongoing basis. TAEF's tax advisors and lawyers monitor changes in legal and regulatory frameworks and labor laws, with the COO and TASME's managing director responsible for flagging issues that require action. There are no open issues indicated other than the referenced above regarding the GoT's treatment of Delaware as a tax haven, which is in the process of being reviewed.

## **DISCLOSURE AND REPORTING PRACTICES**

TAEF provides financial, compliance, and risk-assessment reports to the board on the occasion of each board meeting. The reports consist of financial and compliance dashboards and related material, as well as a risk matrix.

### **Financial and Compliance Dashboards**

TAEF tracks investee performance, such as revenues and loan repayment, recording results in a finance dashboard that is presented for review at each board meeting. The dashboard sets out, among other items, metrics on funds drawn down, administrative expenses, and meeting of budgeted investment targets. Investment information recorded includes total commitments and breakdown by equity and debt.

TAEF's compliance dashboard records updated information on reporting and related requirements for various stakeholders, including Congress, USAID, the Internal Revenue Service, and TAEF's board.

In addition, TAEF regularly prepares documentation setting out balance-sheet and investment-return information (such as interest and royalty payments, debt repayments, equity returns, and cumulated receipts) on a year-to-date basis. TAEF has further prepared a mock GAO audit including an overview, recommendations, and TAEF responses covering legal structure and governance, financial management, internal controls, information-technology systems, procurement policies, human resources and payroll issues, project monitoring and evaluation (M&E), and organizational sustainability.

These presentations, and in particular the mock GAO audit, reflect appropriate attention to maintenance of data for purposes of reporting as well as measures to prevent or prepare for external scrutiny of TAEF's systems, processes, and record-keeping.

## **Performance Monitoring and Reporting**

TAEF defines success in terms of financial performance and development impact, as set out in its vision and mission statements and as measured in its M&E indicators framework. The M&E framework, which the evaluation team understands serves as the PMP, is under continuous review and refinement. It sets out performance indicators in three areas.

- Indicators by SME and microfinance institution (MFI): SME indicators include number of SMEs in Tunisia benefitting from TAEF investment or technical assistance and total number of jobs at SMEs benefitting from TAEF investment or technical assistance. MFI indicators include number of MFIs financed and number of clients impacted through MFIs.
- Output and outcome indicators (young entrepreneurs supported, women-led SMEs, capital region versus interior regions) by each of TAEF's four strategic pillars: innovative SME investment platform (TASME), innovative startups investment platform (such as Flat6Labs), microfinance institutions support (partner Taysir), and investment funds support (investee TunInvest Croissance).
- Separate dashboards for TunInvest Croissance and for each of TASME's investments, setting out global performance (economic efficiency and organizational legitimacy) and development (expanded access to finance, gender equality) indicators.

The M&E framework tracks performance and change from the previous year in a range of areas such as number of investee companies, amounts invested, number of jobs created (including breakdowns for women and youth), and investment in the regions outside of Tunis. TAEF seeks to demonstrate development impact through these measures by showing that investments contribute to the stabilization of small businesses, motivate improvements in governance, and foster opportunities for growth. Data for the framework are collected through annual investee reporting via document analysis and, in most cases, interviews.

TAEF is attempting to monitor and show its impact through changes resulting from its investments. Given the range of metrics in the framework, further work will be required so that this tool will tell its story more clearly while incorporating measurements reflecting activities of TASME, TAEF's microfinance partners, and other vehicles of TAEF's investment in enterprises.

## **STAKEHOLDER ENGAGEMENT**

### **TAEF's Position in the Market**

While TAEF is not well known generally among the broader business community and market, particularly outside of Tunis, the fund enjoys a strong reputation as an engaged, committed, and effective partner among groups who are aware of or have worked with TAEF. Stakeholder engagement is handled actively and effectively, notably via the COO's strong and respected presence in the local community (for example, through speaking engagements and established professional reputation).<sup>7</sup>

External communications were a challenge early on as TAEF was a new initiative coming from the United States whose purpose was not entirely clear to the general public. There was also some apprehension stemming from a perception of TAEF as one of the "foreigners coming to buy up everything." In addition, TAEF had to address concerns expressed by the U.S. Embassy regarding perceived slowness in start-up

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<sup>7</sup> See TAEF website, [taefund.org/en/news/](http://taefund.org/en/news/).

and investment rates. Perceptions have improved both through word of mouth, and in particular at the Embassy with a strong and supportive relationship with the US Ambassador.

## OPERATIONS

**EQ 2: Has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?**

The objective of the second EQ is to determine whether TAEF's existing operating structures, policies, and procedures provide an effective foundation in implementing TAEF's overall investment goals as set forth in the legislation and grant agreement.

### TAEF'S VISION AND MISSION

Congress authorized TAEF with the mandate to promote the development of Tunisia's private sector, including small businesses, and policies and practices conducive to private-sector development in Tunisia. These objectives are consistent with USAID's goal of a more competitive, private-sector-led, and inclusive Tunisian economy.

Accordingly, TAEF's vision is to be

- a leading innovative financier and a committed partner with a hands-on approach
- an inclusive driving force for SME growth
- an investor through the whole lifecycle of SMEs

TAEF's mission is to

- support the Tunisian economy following the Tunisian revolution
- expand economic and employment opportunities throughout the country
- catalyze investments and promote broad economic growth
- strengthen SMEs, improving prospects for sustainable growth

TAEF's objectives are to

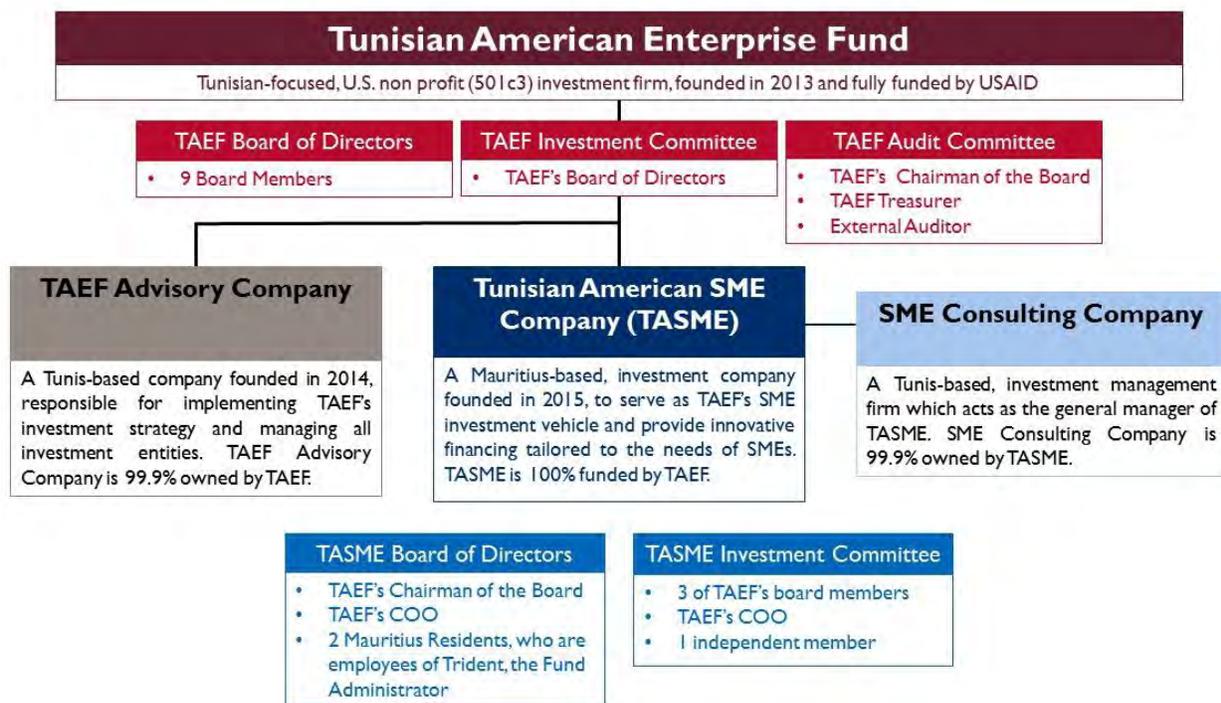
- achieve positive financial returns
- create new and stable employment
- invest throughout the country with special focus on women, youth, and investments in the interior regions<sup>8</sup>

TAEF's vision, mission, and objectives are defined by and aligned with legislation and the grant agreement, and they are written into corporate and strategy documents and marketing materials, including its website. TAEF staff, according to the COO and as evidenced in interviews the evaluation team conducted, are clear on the vision, mission, and objectives.

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<sup>8</sup> See TAEF website.

## STRUCTURE



TAEF is a U.S. 501c(3) legally registered in Delaware and is composed of three additional companies:

- TAEF Advisory Company was founded in 2014 and is based in Tunis. The TAEF Advisory Company handles investment management and strategy implementation for TAEF, oversees all investment entities, and handles back-office functions for all subsidiaries. The company is managed by TAEF's COO and is supported by TAEF's accountant and financial controller, public relations and communications manager, and office manager.
- TASME, founded in 2015, is an investment company 100 percent owned by TAEF and based in Mauritius. While TAEF is legally registered in Delaware, TASME is registered in Mauritius to facilitate operations and to avail itself of a favorable tax treaty. The TASME board includes Trident, an independent corporation, which serves as the fund administrator, as well as TAEF's chairman and COO. TAEF has earmarked \$50 million of funds to be allocated to TASME for SME investments with innovative financing tailored to the needs of Tunisian SMEs.<sup>9</sup>
- SME Consulting Company, a subsidiary of TASME, is a Tunis-based investment management firm. The SME Consulting Company serves as the acting general manager of TASME and is managed by TAEF's managing director of SME investment who oversees the five investment managers.

TAEF's organizational chart delineates TAEF's structure and staff members' roles (appearing at the beginning of this section). Based on our interviews with the COO, investment managers, and other staff,

<sup>9</sup> USG has approved this structure.

TAEF's staff are well versed in their roles, responsibilities, and reporting lines, and these structures lay the foundation for success.

## **HUMAN RESOURCES**

### **Human Resource Policies**

As noted previously, the board is involved in other areas of TAEF operations such as human resources, including defining roles and responsibilities of senior management and, as the portfolio grows, identifying future staffing and administrative needs.

Human-resource policies at TAEF are implemented by the accountant and financial controller with oversight from the COO. TAEF has a human-resource manual, and policies and procedures are updated as needed. The manual contains forms and information relating to employment contract letters, reference checks, probationary periods, employee status and records, performance appraisal and development, employee conduct and disciplinary action, information-technology communication and system usage, and a conflict-of-interest statement.

Upon hiring, TAEF's COO provides staff with a one-day orientation, including an induction meeting with staff and review and signing of forms. As part of the orientation, TAEF has developed an extensive investment manual that provides detailed guidance on the investment strategy and process. Additional on-the-job training is provided via continuous guidance and mentoring.

The evaluation team found that TAEF avails itself of the services of an external legal adviser. The board has identified the potential need for a full-time legal advisor staff position. Additionally, the board expressed interest in creating a deputy director position to ease the burden on the COO. At the time of this evaluation, these recruitment discussions still are ongoing.

### **Compensation Levels, Performance Reviews, and Bonuses**

The chairman and eight board members all serve pro bono. Compensation levels for senior management and staff reflect experience, past compensation, and compensation offered for similar work on the market. The chairman proposes compensation for senior management, including the COO and U.S.-based managing director. Compensation levels are then established upon the board's review and approval.

The staff member's supervisor conducts performance reviews in the fourth quarter of each year against the performance bonus plan. The merit-based performance bonus plan highlights individual performance goals specific to each staff member, and the board approves it annually. The performance reviews are done in consultation with the staff member. The board determines performance bonuses based on the individual's accomplishments against the approved bonus plan.

### **Whistle-Blower Policy and Other Policies**

TAEF does not have a whistle-blower policy. TAEF has a policy on sexual harassment, which dictates that any occurrence of sexual harassment must be reported to the relevant manager or to another member of management if the relevant manager is implicated, with resolution on a case-by-case basis.

### **Gender Inclusivity**

Six of TAEF's 11 staff (54.5 percent) are women, including its COO. Diversity at the workplace is encouraged, although there is no written policy on the subject.

## QUALITY AND SIZE OF STAFF

TAEF has assembled a high-quality senior management team and team of investment managers.

### Senior Management

TAEF's COO in Tunisia is well-known and enjoys an excellent reputation with TAEF partners and the Tunisian financial community. Furthermore, the COO maintains a professional and cooperative approach in managing the fund and demonstrates a high level of leadership and collaboration within TAEF. TAEF's U.S.-based managing director is highly knowledgeable about TAEF's investment operations and maintains an extensive set of TAEF's corporate governing documents and investment transactional records. TAEF's managing director, SME Investment, manages TAEF's SME investment portfolio, TASME, TAEF's largest investment segment comprised of \$50 million of investment capital. Additionally, the managing director, SME Investment, oversees TASME's team of five investment managers. The managing director, SME Investment, is highly professional with vast experience and knowledge regarding the Tunisian SME community and the potential opportunity of SME investments.

### Investment Managers

The five investment managers implement the investment review process and monitor TASME's investments. Although TASME's investment managers were found to be junior to mid-level investment professionals, based on interactions during site visits and key informant interviews, the evaluation team found that they exhibit a high level of expertise, professionalism, and commitment to the objectives of TASME. Investees praised the investment managers for their quick turnaround in responding to applications for financing, as well as maintaining regular communication during the term of TASME's investment. TAEF provided formal training to the investment managers to support the investment process.

Through office interviews and investee site visits, the evaluation team found that as a whole, TAEF's senior management team and TASME's investment managers are viewed as valuable and trusted partners with a desire to see TAEF's investees succeed, particularly compared to banks and other Tunisian financial institutions that view their relationship with SMEs primarily as transactional. During site visits with several investees, TAEF's investment managers were well received by senior management, and it was clear they had positive professional relationships with the investee businesses. During FGDs with SMEs in Sfax and Tunis, TASME's investment managers interacted professionally with the participating business owners and provided information on TASME's experience and innovative approach to financing SMEs. Following the discussions, several of the participating companies that had not done business with TASME previously requested follow-up meetings with the investment managers to consider financing opportunities. Based on the evaluation team's interactions with TAEF investment managers, TAEF's investment managers have the appropriate professional and technical skills for implementing TAEF's investment strategy.

When considering the size of TAEF, with an investment portfolio projected to be \$100 million, the goals and dual mandate objectives of the fund and the country-specific context of Tunisia, the evaluation team found that TAEF has a relatively small staff. At the current stage of its development, however, TAEF has an appropriate level of staff with the necessary skill set to build TAEF's investment portfolio, with the exception of the two positions that are under discussion. Given the size of the average financing package, the need for identifying new investee clients throughout Tunisia, and monitoring the relationships with investees during the full term of TAEF's investment, additional investment managers or staff may be needed as the portfolio continues to grow.

In efforts to supplement the small staff size, TAEF has collaborated with other USG SME- and entrepreneurship-related programs, including BRCP and UNIDO, to help to identify potential new investees in underserved areas. These complementary programs, as well as CEED, have grant and technical

resources available that can help expand TAEF's capacity to provide value-added advisory services to its investee clients.

## **EFFECTIVENESS OF THE OUTREACH AND PUBLIC RELATIONS STRATEGY**

TAEF seeks to establish a close relationship with key stakeholders and potential investees in Tunisia to improve awareness about the fund and promote learning on the evolving needs of the Tunisian business sector and the entrepreneurial community. The evaluation team found that TAEF has established working relationships with Ecole Superior Privee d'Ingenieur and de Technologies (ESPRIT), Mediterranean Business School (MSB), Reseau Entreprene, Conect, and the local American Chamber of Commerce (AmCham). Additionally, TAEF's outreach program includes newsletters, after work events, and receptions, as well as signing ceremonies, which the U.S. Ambassador frequently attends.

TAEF has a full-time public relations and communications manager who has prior experience working with Citibank's Tunis office. The public relations and communications manager has developed TAEF's website, which describes TAEF's mission and includes information on TAEF's staff as well as impact videos of TAEF's investees. While the website is informative, TAEF could further enhance the design to be more user-friendly and easier for customers and other stakeholders to navigate. Additionally, the public relations and communications manager has developed a robust public-relations strategy, which uses social-media outlets and disseminates press releases.

## **MANAGEMENT OF THE INVESTMENT PORTFOLIO**

Overall, the evaluation team found TAEF's management of the investment portfolio to be well structured and effective. As the investment portfolio continues to grow, tracking investments may become more difficult and could result in delays in providing timely information on payments of interest and other amounts due from outstanding loans, performance fees, or other required reporting information from investees. TAEF board and management have identified the need, as the portfolio continues to grow, to create a portfolio-management data system to monitor the portfolio and ensure that accurate and timely information is provided to the TAEF board, senior management, and USAID on TAEF's financial and development-impact performance. The evaluation team believes this is an important step that merits timely implementation.

## **MEASURING PERFORMANCE**

TAEF has an electronic M&E system for recording and documenting development and social impact, including job creation, gender diversity, underserved regions, employee-training opportunities, and social and environmental conditions (as described in this report's governance section). Based on evaluation team's review, the ongoing monitoring and presentation of performance data could be improved to more clearly articulate, explain and document TAEF's development impact. Using the M&E system to facilitate organizational learning and possible adjustments in strategy depending on findings could be an important tool to assist TAEF in meeting its development impact goals over the longer term.

## **PRIVATE-SECTOR ENGAGEMENT**

**EQ3: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

The objective of the third EQ is to understand how TAEF engages with potential investees, banks, other businesses groups and associations, and other USG/USAID programs that focus on the private sector.

## ENGAGEMENT WITH SME SECTOR IN TUNISIA

Three and a half years after it began operations, TAEF works with a broad segment of the SME sector in Tunisia as well as with microenterprises. Their investees are located throughout Tunisia, though most investments are in the developed urban coastal areas. TAEF's flexible approach in structuring financing allows for creativity in meeting Tunisian SMEs' needs. TAEF's first investment in the private equity firm TunInvest Croissance finances large-cap SMEs and a new larger investment in INMA Holding will continue reaching that segment. TAEF also invested in the newly established Tunisian American Search Fund, which also targets large-cap SMEs but through management and acquisition. TASME introduced a new hybrid investment model (debt, equity, and royalty payments) for Tunisian enterprises; one well suited for family-owned businesses, which comprise the majority of SMEs in Tunisia. TAEF's investment in Flat6Labs, a start-up accelerator, is supporting high-growth start-ups in the information-technology arena. In addition to SMEs, TAEF's investment in the microfinance institution, Taysir, has allowed Taysir to reach hundreds of microenterprises. (See section below on Investment Strategy for more details about TAEF's investments in each of these segments.)

TAEF Program as of January 2018	Engagement/Outreach/Investments with SMEs
TunInvest Croissance (2014)	Investments in 10 large-cap SMEs. <sup>10</sup>
TASME (2015)	Investments in 15 small- and mid-cap SMEs, 11 more in the pipeline. Explored 213 additional companies for potential investment
Flat6Labs start-up accelerator (2017)	First cycle had more than 250 applications, interviewed 50, 20 attended boot camp, and six were selected. New cycle every 6 months. <sup>10</sup>
Tunisian American Search Fund (2017)	Looked at more than 100 large-cap SMEs, held discussions with 15 enterprises, and two letters of intent.
TAYSIR (2015)	Provided 8,813 loans to microenterprises and provided business and technical training to 4,000 people. <sup>10</sup>
Le Centre Financier aux Entreprises (CFE) Desjardins	This investment has three components, equity, technical assistance and debt, and supports financing to the microfinance sector.
INMA Holding	Pending central bank approval.

**Outreach to SMEs:** TAEF's outreach to a broad range of Tunisian business associations, groups, and forums to inform SMEs of their financial products was limited in the first years to avoid raising undue expectations. This conservative approach seems appropriate given the delay between the 2013 announcement of TAEF's launch and receipt of its first \$20 million tranche of funding in 2014, and, that TAEF only receives its funding incrementally. As explained to the team, there always has been a concern that a large public marketing campaign could lead to a flood of applications for financing that it would have to reject because applicants did not meet TAEF's investment criteria or because of insufficient

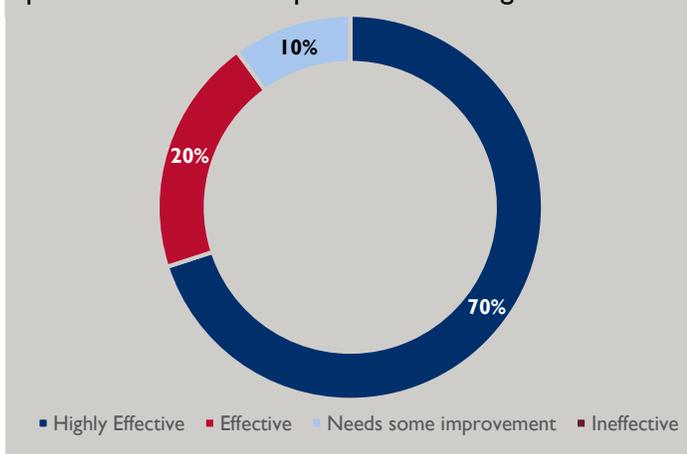
<sup>10</sup> Represents total activity of which TAEF holds a share.

funding. Widespread rejections or long delays in responding, particularly early on, would have been perceived as negative within the Tunisian business community and damaged TAEF's reputation.

Today, TAEF's public outreach remains conservative. The COO regularly speaks at investment forums and at business events and has been recently invited to join AmCham Tunisia's board. TAEF's website not only provides information on TAEF's programs, but it also allows firms to apply for financing online or to download documents and apply by email attachment. It lists the basic criteria (such as Tunisian owned and managed, in business at least two years, audited financial statements, a minimum of four employees, and minimum revenue of TND 500,000) and the required documents.

As a result of TAEF's conservative approach to outreach, knowledge about TAEF within the business community in Tunisia appears to be mixed. In the established Tunis business community and among the international financial institutions and multilateral development banks, TAEF and its COO are well known. Only a handful of well-established companies participating in the evaluation's focus groups in Sfax, the second largest commercial center in Tunisia, however, were aware of TAEF. It appears that TAEF is probably not known in the under-developed interior.<sup>11</sup>

Figure 3: The effectiveness of TAEF in reaching potential investee companies outside of greater Tunis.



Given the current level of TAEF funding, this conservative approach to outreach is probably warranted. At this time, TAEF has few uncommitted funds. The total amount of funds that TAEF has committed or has in its hot pipeline is \$89 million, of which \$45 million is approved or disbursed. (TAEF defines hot pipeline as deals under active review or in the process of being presented to the first round of investment committee review.) USAID has disbursed \$80 million to TAEF with the final \$20 million tranche expected to be disbursed in 2018.

**Sourcing Potential TASME SMEs Investees:** TASME's hybrid investment package is a completely new and innovative model of SME finance in Tunisia. Potential TASME investees need to be carefully vetted as well as educated on the model, requiring investment of time on the part of the investment managers. The model is not appropriate for every SME. This means that TASME has to be selective where it puts its time and energy in finding clients.

Based on the evaluation team's findings, it appears that potential TASME investees have been found primarily through two channels: the network and connections of TAEF/TASME management and investment managers and referrals from accountants, lawyers, and Tunisian consulting firms. USAID programs supporting private-sector development also have contributed to the pipeline (see the following section). The team met with five TASME investees located outside of Tunis. Two were connected to TASME through Alternative Business Consulting, which specializes in helping SMEs improve their business plans and financial statements to get financing. One was connected to TASME through its accountant. Another was a BRCP client, but it had first heard about TAEF from a speech Madeleine Albright gave in Tunisia. The fifth found TAEF online through its marketing materials and social media, and it also had heard the COO speak at events.

<sup>11</sup> TAEF Evaluation, Senior Management and Staff Electronic Survey, 2017.

**TAEF Value Added to SMEs:** The team heard from several enterprises that having a TAEF investment provides additional benefits. The United States connection is associated with meeting high and modern business standards. TAEF's rigorous investment process requires many investees to make important financial-management or business-practice upgrades that are seen as improving the overall business. As a result, a TAEF investment enhances investee credibility in two particular areas: when expanding to new markets and facilitating other complementary lenders and investors. In sum, investees appear to want to communicate the United States affiliation and relationship with TAEF, as opposed to underplaying it. A TAEF investment is seen as an asset in Tunisia.

## **COLLABORATION WITH USG/USAID PROGRAMS AND OTHER BUSINESS AND EDUCATIONAL ORGANIZATIONS**

TAEF has partnered and collaborated formally and informally with several USAID-funded economic growth programs, Tunisian business groups, and university and training organizations to implement its investment strategy and engage with the private sector.

**USAID programs:** TAEF has collaborated with other USAID SME-related programs to promote synergies expanding the impact of all the programs. BRCP and TAEF signed a memorandum of understanding (MOU) to govern what would become a successful collaboration. Two BRCP-assisted firms that were introduced to TASME now are approved investees. Likewise, TASME has asked and relied upon BRCP to provide technical assistance, in several instances related to obtaining ISO certification, and trained six of its investees. Additionally, BRCP also provided technical assistance that was critical to the success of TAEF's financing of Taysir.

TAEF and UNIDO, which receives USAID funding and promotes entrepreneurship in the disadvantaged regions in the interior, have not signed an MOU, but they have collaborated in a number of areas. UNIDO has connected TAEF with entrepreneurs in the interior and introduced TAEF to a potential pharmaceutical investee in Kairouan. TAEF recognizes that UNIDO could help to source more deals and build a pipeline in the disadvantaged interior, though UNIDO works more with start-ups than with existing SMEs. TAEF has not worked directly with CEED but is aware of its program. At the request of the evaluation team, CEED organized and hosted two focus groups consisting of approximately 40 SMEs in Sfax and Tunis during the team's visit, at which TASME investment managers also participated.

**Educational Institutions:** TAEF also has signed an MOU with MSB, a private university and the first English-language university in Tunisia, to collaborate on organizing conferences to discuss such topics as alternative financing for SMEs. MSB also has introduced TAEF to alumni for employment, and one of the current investment managers is an MSB alumnus. Additionally, MSB is involved in TAEF's fellows program, which promotes interns at TAEF investees (see the section below). And TAEF works with ESPRIT, which also participates in the fellows program.

**Business Groups:** TAEF has an MOU with Reseau Entreprendre, a membership organization (operating in 10 countries in Europe, North Africa, and sub-Saharan Africa) that began operations in Tunisia in 2010. It helps companies of all sizes in a range of areas, including developing business plans and conducting market research. The purpose of the MOU was for TAEF to help source investees in the regions as well as for TAEF to participate in its laureate program, which selects promising firms to get intensive mentoring and a five-year interest-free loan.

## **NON-FINANCIAL TECHNICAL ASSISTANCE**

Many Tunisian SMEs, particularly family-owned firms, have what would be characterized in the United States as lax corporate governance standards as well as inadequate sales and financial recordkeeping. Many

have never written a professional business plan or strategy. This situation is one reason, though perhaps not the most important, why these SMEs find it difficult to get bank financing as they cannot demonstrate credit-worthiness. TAEF's non-financial technical assistance therefore should have a beneficial impact on overall private-sector development in a number of ways.

First, TAEF/TASME requires that its investee firms significantly improve their corporate governance and financial management policies and practices, including adopting regular and standardized financial reporting. Prior to finalizing a financial transaction with new investees, TAEF requires them to commit to regular reporting to TAEF on the company's financial and operational results. TAEF also provides advisory assistance to improve the investee's internal financial controls and reporting to comply with TAEF's requirements. This stipulation may require some of TAEF's clients to invest significant time and resources to upgrade their internal financial-management systems. Depending on the business, TAEF also may require that worker safety measures are put in place and that the firms address environmental issues. Several investees noted that TAEF provided value-added beyond just capital by imposing legal, financial, and commercial discipline on them (even though they resisted at first).

These efforts could have important demonstration effects in the market as these investees grow and go on to obtain financing from other sources. This form of demonstration effect is considered, for example, to be an important contribution of the enterprise funds that operated or are operating in Eastern Europe and the former Soviet Union. As noted in the next section, however, it is difficult at this point to determine whether and how much of a broader spillover effect this work will have on Tunisian SMEs beyond the actual investee firms.<sup>12</sup>

### **TAEF'S FELLOWS PROGRAM**

TAEF has developed a program to build the business and technical skills of Tunisian students and ensure that Tunisian graduates have the skills SMEs need. TAEF's fellows program, which matches students seeking business internships with SMEs, is a model for building practical business skills and generating valuable hands-on work experience for youth. The program has grown from five students to 12, and from five universities to 25.

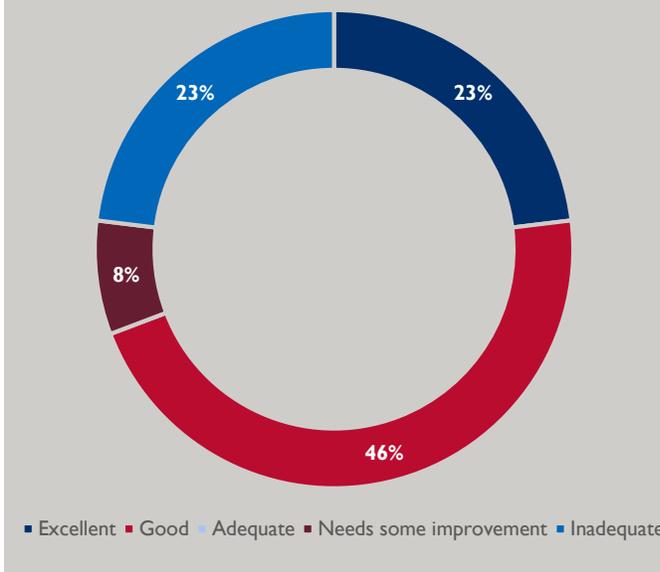
### **GENDER CONSIDERATIONS**

**Context.** Tunisia's constitution, dating from the mid-1950s, gives women equal rights. Women hold senior as well as staff positions in the government, enterprises, banks, accounting, and legal firms. Women account for more than 52 percent of all university graduates. On the surface, Tunisia appears advanced in terms of women's rights and position in the workplace, at least at the more senior levels. Nonetheless, women face discrimination. Importantly, female heirs are entitled to only half of the share of property as their male peers. This policy has negative implications for female business owners and entrepreneurs, as banks negotiating with female borrowers generally assume that women own less capital (collateral) than do men. Efforts to change the law are underway.

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<sup>12</sup> The EBRD has a dedicated corporate governance program in Tunisia and other international financial institutions and multilateral development banks as well as USAID SME-related programs also work in this space.

Figure 4: The effectiveness of TAEF in targeting women-owned businesses seeking financial support.



Looking at TAEF’s direct investments outside of microfinance, TAEF has financed many more men-owned businesses, though many employ large numbers of women. Results of survey responses from investees indicate that more information may be needed regarding the support TAEF is providing for women-owned businesses.<sup>13</sup> In English-version surveys this category was the only one to receive no top rating (that is, excellent, highly effective, or very satisfied). Four respondents to the French version, all men, rated TAEF support to women-owned businesses as excellent (two respondents) or don’t know (two respondents). Due to the limited sample, it is difficult to draw concrete conclusions. Given the importance of this issue, however, TAEF may want to explore it further and consider options for improving outreach and work with women-owned businesses.

## INVESTMENT STRATEGY

### EQ4: Are TAEF’s investment strategy and approach tailored to the needs of Tunisian firms?

The objective of the fourth EQ is to determine whether TAEF’s investment strategy will achieve the legislative and grant purpose of developing Tunisia’s private sector while achieving a positive financial return.

TAEF has a well-thought-out investment strategy designed to achieve the legislative and grant purpose of developing Tunisia’s private sector while achieving a return on investment. It is based on both a sound understanding and analysis of how to promote private-sector-based economic growth and increase sustainable job opportunities, the challenges MSMEs face in getting access to finance, and the gaps in Tunisia’s financial sector.

In developing their strategy, TAEF board members and managers said they focused on filling gaps in the market. This approach led them to adopt a multipronged approach to meet the needs of different market segments: from microenterprises to existing small and mid-cap and large SMEs to high-growth start-ups. They recognized that each group, notably family-owned SMEs which make up a large portion of Tunisian SMEs, needed a different approach and funding mechanism. In addition, achieving geographic diversity, particularly between the developed coastal regions and the under-served interior, would require different tactics. In particular, by investing in existing MFIs and private equity funds and in a proven start-up accelerator, TAEF could reach many more MSMEs quickly and with a relatively small investment in staff and real estate.

TAEF also recognized from the outset that it was essential not to compete with Tunisia’s wide range of financial institutions, including commercial banks (and their equity investment arms), private equity funds, MFIs, and leasing companies. As a result, TAEF has focused not only on co-investing with established

<sup>13</sup> TAEF Evaluation, Investees Electronic Survey, 2017.

financial institutions but also on introducing new and innovative financing approaches, such as TASME, to directly finance SMEs and leverage its resources. As TAEF's investment manual highlights, it is willing to look at a wide range of co-financing structures with international financial institutions and multilateral development banks (such as the World Bank, European Bank for Reconstruction and Development, the African Development Bank, and the European Investment Bank) if there is a good fit, though none have been done to date.<sup>14</sup>

TAEF also understood that Tunisian MSMEs not only need appropriate finance but also assistance to improve their business operations and financial reporting and more technical assistance to become competitive (such as obtaining ISO certification). In the former cases, TAEF has included such reforms in the legal covenants but also worked closely with the investee companies to meet these conditions. TAEF has turned to USAID's BRCP program for some of the technical assistance to improve competitiveness.

## **ROLLOUT OF INVESTMENT STRATEGY**

USAID provided initial grant funding of \$20 million to TAEF in July 2013 and another \$20 million tranche in September 2013. TAEF has received two additional \$20 million tranches for a total \$80 million. The final \$20 million tranche is expected to be disbursed in 2018 bringing the total USG grant funding to \$100 million. As of October 15, 2017, TAEF had approved or disbursed \$44.7 million of investments. An additional \$45.1 million is in the hot pipeline for a total of \$89 million. TAEF is authorized to continue to actively invest for 10 years after the last \$20 million tranche. The current windup commencement date per Amendment 3 to the Grant Agreement is December 31, 2026.

## **IMPLEMENTATION OF INVESTMENT STRATEGY**

TAEF's first investment was into a well-established Tunisian investment fund, TunInvest Croissance, in June 2014. This approach allowed TAEF to get on the map and show the flag while taking more time to carefully and fully develop its multipronged strategy to reach a wide spectrum of micro, small-mid cap SMEs, and high growth start-ups. Its second investment, in the MFI Taysir was made more than a year later in August 2015. Since then, TAEF has moved quickly. As of 2017, TAEF's multipronged strategy is being fully implemented—with investments disbursed to all intended market segments.

TAEF's strategy not to compete with local financial institutions has been successful as TAEF has co-invested with existing equity funds, supported microenterprises through existing MFIs, and supported start-ups through a respected accelerator. The approach of building on and supporting what was already in the market rather than competing against it was positive from a development perspective, minimizing market distortion and supporting local efforts. Furthermore, in directly supporting small-medium-cap SMEs, TAEF is focused on funding segments of the SME market that banks generally ignore. TAEF's support for start-ups is through Flat6Labs and AnavaSeed Fund. Investments by SME market segment are discussed in more detail in subsequent sections.

### **Large-Cap SMEs**

TAEF has planned to allocate \$20 million for large-cap SMEs. As noted previously, TAEF's initial investment in 2014 was in the private equity fund TunInvest Croissance. TAEF approved an investment of \$2.4 million in a 15.5 percent stake of the fund. The initial disbursement was \$1.05 million in June 2014 and \$2.2 million has been disbursed to date. TunInvest Croissance has fully invested its total capital of TND 25 million (\$10 million) in 10 companies, with an average investment size of \$1 million, (with one divestment) in mostly new sectors of the economy or where there are innovative production processes (such as ecological wood construction, energy, and recycling). According to TunInvest Croissance, three of the companies are apparently already profitable.

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<sup>14</sup> The investment range of these institutions is generally larger than TAEF's financial packages.

To continue its support of large-cap SMEs, TAEF recently approved a \$6.8 million investment (for a 30 percent stake) in INMA Holding, a new private equity fund in Tunisia. Disbursement is awaiting central bank approval of the foreign investment.<sup>15</sup> BIAT, one of the largest private banks in Tunisia, also invested in the fund. INMA expects the average investment size to be about TND 5 million (about \$2 million).

### Tunisian American Search Fund

TAEF's recent \$150,000 investment in the Tunisian American Search Fund (TASF) is an example of its innovative approach to support large cap SMEs. TASF is an investment vehicle whose mission is to locate, manage, and buy existing firms. TASF is the first such search firm in Tunisia and one of the first in Africa. Buyouts are a new proposition in Tunisia. Currently TAEF funds only TASF operations and administration, but TAEF and other investors have the right of first refusal to participate in any acquisition. TASF is targeting investments of \$8.5 to \$16 million in growing firms in growing sectors, such as pharmaceuticals. Since the search began a year ago, TASF has looked at more than 100 firms and has signed letters of intent with two firms, but it has not yet made an initial investment.

### Small-Medium Cap SMEs

In 2015, TAEF created TASME to improve access to finance for the small-medium SME segment, particularly family-owned firms. TASME fills a major gap in the Tunisian financial sector. The combined debt, equity, and performance fee structure ("royalty model") introduced through TASME is a new, innovative, and flexible financing model for the Tunisian SME market. It can be tailored to each investment and particularly is attractive to family-owned businesses that do not want to surrender long-term control of their company and do not have the collateral banks require. In Tunisia it is common to require collateral of 150 percent or more of the loan.

TAEF has appropriately targeted more than 50 percent of its funding to TASME as this investment vehicle targets SMEs that have the most difficulty accessing finance. The focus is on existing SMEs in the expansion phase. As of October 2017, TASME has disbursed or approved investments of about \$17 million in 15 companies. They represent a wide range of sectors, including information technology, textiles, pharmaceuticals, olive oil products, agribusiness, tiles, industrial printing and packaging, pastries, and audio-visual training. The general target investment range for TASME is \$100,000 to \$1 million. The investment size of the 15 current TASME investees ranged from \$217,000 to \$2.5 million. The majority were larger investment—eight investments were in the range of \$1 million to \$2.5 million.

As to geographic diversity, while more than half of TASME investments are outside of greater Tunis, almost all have been on the developed coast with just a few exceptions in the interior (note, that in

#### Main Features of Three-Pronged TASME Investment Model

**Equity Investment:** The norm is 20 percent of the total investment and a minority shareholding position. TASME gets a board seat or equivalent. No dividend paid. Pre-negotiated exit, generally twice the original investment.

**Shareholder Loan:** Debt is usually 80 percent of total investment size. Five- to six - year terms, with at least one-year grace for principal. Interest rate is the Tunisian money market rate, below prime bank lending rate. Quarterly payments.

**Royalty Feature:** Payment of generally 1-2% of gross sales of investee (a revenue participation), paid quarterly. Royalty runs until equity is repurchased or loan fully amortized.

<sup>15</sup> Foreign investments more than \$3 million require central bank authorization, which can take three to six months.

accordance with the indicators that TAEF established per the grant agreement, any investment outside of Tunis is considered to be in the interior). Much of the coast, particularly Sousse, Sfax, and Nabeul, where six of the 15 TASME investees are located, is relatively well developed. Additionally, there is an active pipeline of \$11 million in 11 companies, the majority of which are in cities on the developed coast. Thus, TAEF's definition of interior does not accurately convey information about the limited number of TAEF's investments in the more underserved and much less developed interior (with the exception of microfinance). Regarding gender, at least two (13 percent) TASME investees are women owned. On the team's visit to several TASME investees, we saw many women in both management and blue-collar positions.

TASME's hybrid investment strategy generally received high praise from other financial intermediaries with whom we spoke, including the IFC, EBRD, and INMA Holding. These are some of the comments we heard: "their hybrid quasi-equity component is right for the market as companies are already leveraged so additional debt is not efficient" and "this is an important model as it does not require collateral." In addition, several noted the important role that TASME plays beyond finance as it requires investees to take stringent measures to improve corporate governance, financial reporting, environmental, and other practices.

Only one financial institution, however, said that TASME was a model that they might be interested in replicating. Another financial institution was more negative about the model saying that TASME may be more favorable financially to the investee than to TAEF; there is a real risk regarding investees' ability to make balloon payments to repurchase the equity portion of TAEF's investment after six years as no collateral is generally required. This concern may make this model less attractive for replication by purely commercial entities, but it also has implications for the financial sustainability of this model. But as one international finance institution noted, the proof of the validity of the TASME model will be when it starts realizing some of its investments, which will not be for a number of years. There has been one successful early divestment with whom the evaluation team met.

Several TASME investments that received board approval were declined by the investee company. Two of these deals were on the January 2017 board agenda to discuss lessons learned. In both cases, the investees were not comfortable with the royalty model for a number of reasons, but primarily that the TASME offer appeared to be more expensive than bank loans given both companies had significant levels of revenue.

*Going forward.* Given that current Tunisian bank programs have significant limitations, and for a variety of reasons, are still not as effective as necessary in providing financing for Tunisian SMEs, TAEF is exploring the possibility of setting up an SME bank. This step probably would mean buying a current bank and transforming it. This sentiment was echoed by a staffer at one of the international finance institutions who said more generically that to improve the SME access to finance, investors should buy a current bank and improve its policies and practices and put in place a new investment strategy.

### **Microenterprises**

TAEF's overall planned allocation for the microenterprise segment is \$15 million. Its second investment was a loan in 2015 to TAYSIR, an MFI. The approved financial package was \$2.5 million to be disbursed in tranches; the first tranche was for \$1 million in August 2015. Taysir is a relatively new microfinance institution in Tunisia, established in 2013, but microfinance operations have a long history in the country.<sup>16</sup> It has received funds from a variety of both local, foreign and multilateral investors and lenders. The team

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<sup>16</sup> ENDA is the grandmother of all MFIs in Tunisia, beginning operations in 1990. It has more than 1,400 employees, 39 branches throughout Tunisia, almost 300,000 active clients, and a portfolio of TND370 million (\$148 million).

met with both the director general at headquarters in Tunis, as well as nine microenterprise clients, of which five were women.

Taysir has made 8,813 loans over the last three years, worth TND 23 million (about \$9+ million). Fifty-four percent of the loans go to women, and 43% to youth under 35. They disburse 100% by mobile banking. Taysir also provides non-financial services focusing on business and technical training. They have trained 4,000 people over the last three years, 60 of them women.

Taysir has an excellent reputation with the clients with whom the team met in Siliana and Kairouan. These clients indicated to the team that Taysir investment managers are professional and dedicated and work with them to find solutions. Taysir responds quickly to applications, it follows up and visits the applicants' premises, and provides mentoring and other advisory services. Many contrasted this approach to ENDA, a long-standing MFI, which they characterized as slow and bureaucratic. TAEF's investment in Taysir is an example of the positive impact that TAEF can have and the important role it can play in developing the Tunisian financial sector.

*Going forward:* TAEF is exploring converting a portion of its existing investment in Taysir into equity and continuing to work closely with Taysir in the future. Additionally, TAEF is negotiating with other MFIs to increase its support to microenterprises in Tunisia.<sup>17</sup>

### **High-Growth Starts-Ups**

TAEF has allocated \$15 million to this segment. Its first support to high-growth start-ups was a \$3.7 million investment in Flat6Labs, a business accelerator that provides office space, training, mentoring, legal advice (such as regarding potential patents), and financial support to entrepreneurs, almost solely in information and communications technology. The company began in Cairo six years ago, has a proven model, and now operates in five countries. The Tunis operation began in 2017. Flat6Labs has raised TND20 million (\$8 million). In addition to TAEF, other investors include BIAT and Meninx Holding, which owns the building where Flat6Labs is located. TAEF hosted them in their offices during the incubation period prior to their move to permanent space.

Flat6Labs conducts an open application session for two six-month program cycles each year, during which prospective entrepreneurs can submit a new business idea and plan for review. During the first cycle this year in Tunis, more than 250 applications were received, from which 50 were selected for in-person interviews. Following interviews, 20 applicants were chosen to attend a five-day boot camp, during which they worked with the Flat6Labs team to refine their business plans and received additional feedback and coaching. This group was narrowed down to six start-ups to become residents at the Flat6Lab Tunis offices for a six-month period. During this first Tunis selection cycle, most of the finalists selected were from the more-developed coastal areas as they were more technically qualified. The two women-owned start-ups (of the 20) that participated in the five-day boot camp were selected. The majority of the individuals that apply for the Flat6Labs program are university graduates, in either business or a technical field, with a specific business idea they are seeking to develop.

The investment in Flat6Labs is an example where TAEF's financial contribution is likely to be leveraged many times over. When a start-up is selected (stage 1 of the process), Flat6Labs takes a 10% percent stake and a board position. By Stage 3, entrepreneurs are required to get outside investors. Flat6Labs helps in this process.

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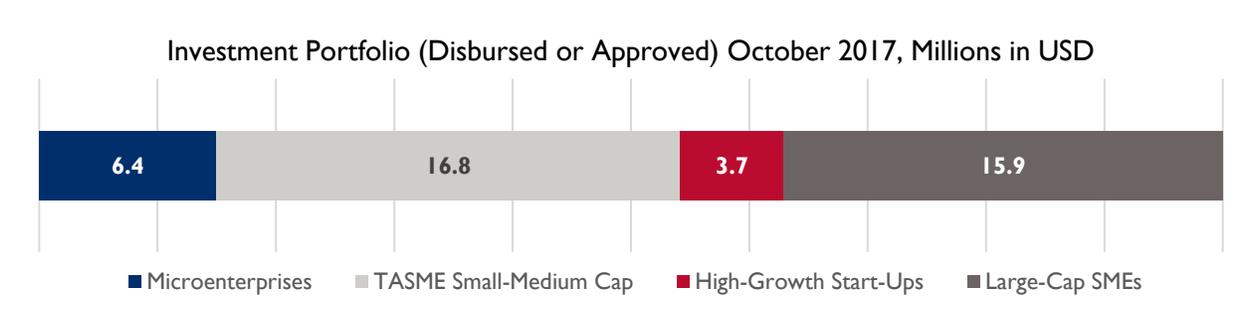
<sup>17</sup> At the time of the finalization of this report, TAEF had approved an investment in CFE Desjardins to support the microenterprise sector.

In January 2018, it will hold its first event bringing together 150 people—high net-worth individuals, other investors (some from France and the Middle East)—to interest them in investing in the six start-ups. (To date, on a global basis, Flat6Labs has raised \$12 million of follow-on funding and has 120 start-ups in its portfolio.)

Flat6Labs also indicated that, in addition to the capital investment, TAEF staff (particularly the COO and investment manager) provided significant additional value through its localized knowledge of the business community and opened many doors to introduce and gain acceptance for the Flat6Labs concept in Tunisia.

### CURRENT INVESTMENT PORTFOLIO AND PIPELINE AS OCTOBER 2017

TAEF has received \$80 million out of the \$100 million originally anticipated from the USG. The additional \$20 million is expected to be disbursed in 2018. As of October 15, 2017, \$44.7 million had been approved or disbursed and \$45.1 million is in the hot pipeline for a total of \$89 million. By market segment, of the \$45 million disbursed or approved, \$6.4 million has been approved or disbursed for microenterprises, \$16.8 through TASME for small-medium cap SMEs, \$3.7 million for high-growth start-ups, and \$15.9 for large-cap SMEs.



### DIVERSIFICATION OF INVESTMENT STRATEGY

TAEF’s investment strategy reaches a wide range of the Tunisian SME sector. During interviews, however, the team heard repeatedly that there is a segment of existing small enterprises that appears to be particularly neglected by investors. These are identified as SMEs that need financing in the \$50,000 to \$400,000 range.<sup>18</sup> This amount is greater than the upper limit of microfinance and at the lower end of TASME’s financing range. TAEF is in the process of developing a new strategy for the future, currently called TAEF 2.0. This strategy, which is still under discussion, appears to be moving in an up-market direction. This approach might be a point of review in USAID discussions with TAEF as well as subsequent evaluations regarding TAEF’s risk appetite and the extent of its adherence to its development mandate. Making smaller investments also would require an increase in the number of investment managers.

### INVESTMENT STRATEGY AND DEVELOPMENT IMPACT

TAEF investment managers told the team repeatedly that they have a strong focus on development impact as they analyze their direct investments in enterprises, (that is, TASME at the moment). They mentioned the following areas (in no particular order): gender diversity, job creation, regions outside Tunis, employee training, the environment, and work and safety conditions for employees. The owners of the five TASME investees we met with all attested to the development impact of the investment in their operations either via female employment, new job creation, continued development in an underserved region, environmental improvements in the production process, or new safety features introduced. We also heard from all the investees that TASME requires the adoption of more rigorous financial reporting and other

<sup>18</sup> The team actually heard a number of ranges for the underserved financing segment from different organizations or groups that work with SMEs, from \$20-100,000, from \$120-200,000, and from \$400-800,000.

documentation. From this perspective, TASME investments are having a positive development impact. Nonetheless, it is hard to see at this point if there will be spillover more broadly outside of the few TASME firms (currently 15, potentially double that) that TAEF supports directly.

It is also hard to determine how important potential development impact is in the TAEF board's decision-making process on investments in comparison with return on investment. TAEF board and investment committee minutes are concise. So, it is impossible to know whether there is much discussion, if any, of development impact at these meetings. In particular, if a potential investee is rejected after due diligence, there is no real documentation to determine if risks identified trumped potential high development impact. There are about six or seven TASME investees that underwent due diligence that appear to have been rejected. It would be helpful to better document decisions regarding TASME investees that have been rejected to clarify the tradeoff between development impact and return on investment.

Survey responses from board members indicate that there may be some room for improvement in the effectiveness of TAEF in targeting women-owned SMEs seeking financial support. While there appears to be significant support from TAEF to women-owned microbusinesses, there is less evidence of support to women-owned SMEs. In interviews with several different individuals, there is a belief that, due to family requirements and work-life concerns, women apparently often "put the brakes" on growing successful enterprises. Hence there may, in fact, be less opportunity to find women-owned larger SMEs, which in turn may increase the need for TAEF to search for and support such businesses.

## **INVESTMENT REVIEW PROCESS AS IT TIES TO INVESTMENT STRATEGY**

The evaluation team also examined how TAEF's investment review process supports the overall investment strategy. TAEF's investment review process focuses on the viability of the prospective investee and the outlook for financial performance and development impact of the investment. An extensive investment manual has been prepared to provide comprehensive and detailed guidance to the investment process, including elaboration of TAEF's investment strategy, the investment value chain and process, and specific guidelines for TASME including strategy, organization of the management team, and investment managers' attributes and duties. Some of the content is aspirational: investment manager attributes, for example, are ambitious and in reality, may not be met entirely at times as some of the investment managers require continued training post-hiring.

The investment review process has been undergoing continuous development and improvement and currently consists of eight stages:

1. Identification
2. Screening
3. Pre-approval
4. Investment term-sheet preparation
5. Financial, tax, social, legal, and technical due diligence
6. Contracts negotiation
7. Closing process
8. Portfolio management

**Investment Rejections.** Communication with rejected clients involves, first, discussion by telephone of reasons for the deal not working out, followed by formal, written communication. Reasons normally include the company's financial presentations or forecasts not being acceptable, a lack of absorptive capacity, or a lack of steps being taken as needed to accommodate the investment. Investment managers provided the evaluation team with examples of several investees reforming their governance or management practices as a condition for TAEF investment.

**Role of the Board in Ensuring the Investment Strategy is Followed.** The evaluation team found that the board is highly engaged in setting and implementing the investment strategy. The board reviews the investment strategy during quarterly board meetings. According to interviews with TAEF board members and staff, the board members routinely raise questions and request further information with regard to investment proposals. There generally are robust discussions and exchange of views regarding the investment proposals at each meeting.

# CONCLUSIONS AND RECOMMENDATIONS

## FOUNDATIONS FOR SUCCESS

In conducting this early implementation evaluation, the evaluation team determined that TAEF laid the foundations for achieving its legislative and grant agreement purposes to develop Tunisia's private sector. The team reviewed TAEF's governance structures and processes, operating policies and procedures, and approach to private-sector engagement and investment strategy and determined that these are well-developed and should be effective in achieving the longer-term goals and objectives of the legislation and grant agreement. Overall, TAEF has been proactive in launching and managing the fund, creative in overcoming barriers and adapting to the needs of Tunisia's SMEs, and disciplined in its investment and operational approach, making impressive progress in a short period of time.

To fulfill its legislative and grant mandate, the evaluation team found that TAEF has developed an investment strategy that focuses on contributing to a more competitive, private-sector-led, and inclusive Tunisian economy. This strategy reflects TAEF's goals of achieving development impact and financial performance. The evaluation team also identified areas in which TAEF could build upon its existing foundations to strengthen performance and potential impact. This section presents the evaluation team's conclusions and recommendations for consideration to further strengthen the foundations of TAEF in the areas of governance, operations, private-sector engagement, and investment strategy in support of achieving TAEF's legislative and grant mandates.

## GOVERNANCE

**Foundations for Effective Governance Have Been Laid.** The evaluation team found that TAEF's governance structures and processes largely conform to internationally accepted best practices. It is the conclusion of the evaluation team that the way in which these structures and processes have been designed and are being implemented by TAEF creates the foundations for effective governance of the fund. TAEF's board consists of a diverse and highly qualified team with a mix of skills and experience well suited to the fund's mandate and objectives. Likewise, the evaluation team found that TAEF has assembled a high-quality senior staff and team of investment managers who exhibit professionalism and commitment to TAEF's objectives. They also appear to enjoy excellent professional reputations as expressed to the team by TAEF's board of directors, TAEF investees, and other stakeholders, including other providers of assistance to SMEs in Tunisia. Areas for strengthening include succession planning for the chair and chief operating officer, setting term limits, and expanding the number of in-person and in-country board meetings.

- *Promoting Operational Continuity through Succession Planning and Establishing Term Limits.* TAEF should consider introducing a board succession policy that creates and fills as a matter of priority the positions of vice chair and deputy director to the COO to ensure a smooth transition in the event of sudden or unexpected change in the positions as currently held. Additionally, TAEF should consider limiting the maximum length of board service, for example to nine years (three terms) to ensure fresh thinking and new perspectives.
- *Selecting the Location of Board Meetings and Ensuring the Physical Presence of Board Members.* To maximize interaction and input among board members, it is recommended that the majority of U.S. board meetings be held face to face when possible, including in Washington, D.C. to allow for additional interaction (such as presentations and informal discussions) with USAID and other USG representatives. Additionally, to facilitate closer engagement with and knowledge and

understanding of TAEF (particularly among U.S. board members), board meetings should be held in Tunisia on a regular basis, for example, once a year. This approach would allow more interaction between the board and TAEF staff, investees, local partners and intermediaries, and other stakeholders, such as USAID/Tunisia. Board and stakeholder networking opportunities could be scheduled before or after formal board sessions, as has been done in the Europe and Eurasia enterprise fund board meetings.

## OPERATIONS

**An Effective Operational Foundation Has Been Laid.** With regards to TAEF's operations, the evaluation team finds that the existing operating structures, policies, and procedures at this stage of TAEF's operational history provide an effective foundation for implementing TAEF's investment goals as set forth in the legislation and grant agreement between USAID and TAEF. The TAEF team is small but appropriately sized for its current level of investment; as the portfolio grows, staffing may need to be adjusted. A portfolio-management data system could support future growth along with improvements in the M&E function and the introduction of a whistle-blower policy.

- *Adopting a Portfolio-Management Data System.* TAEF board and management have identified the need, as the portfolio continues to grow, to create a portfolio-management data system to monitor the portfolio and ensure that accurate and timely information is provided to the TAEF board, senior management, and USAID on TAEF's financial and development-impact performance. The evaluation team believes this step is an important one that merits timely implementation.
- *Strengthening M&E.* To strengthen and validate its reporting on development impact and financial performance and to enable management to make adjustments to strategy if goals are not being met, TAEF may want to consider hiring a consultant to periodically (for example, once annually) support M&E training, data collection, entry, and analysis. Additionally, a staff person could be designated to coordinate the M&E function and interact with the consultant. Furthermore, TAEF's M&E indicators framework, while providing metrics illustrating performance and contributions to financial and development objectives, could benefit from some revisions and simplification. While this recommendation is not as important as adopting the portfolio-management system, it will improve TAEF's ability to report on its development impact.
- *Introducing a Whistle-Blower Policy.* TAEF should introduce a whistle-blower policy. While the organization is small in size, such a policy would formalize and ensure protection of staff identifying or reporting observed malfeasance, providing them with a sense of assurance. It also would demonstrate good practice in a market where such policies may be infrequent or inadequate.

## PRIVATE-SECTOR ENGAGEMENT AND INVESTMENT STRATEGY

**TAEF Has Strategically Engaged the Private Sector and Has Designed an Investment Strategy that Should Enable It to Meet the Legislative and Grant Agreement Mandate.** TAEF has strategically engaged the private sector, along with other key stakeholders, including USAID-funded projects, as important elements in identifying investees. It has been careful to not raise unreasonable expectations that could have a negative impact on its reputation. TAEF has a very well-thought-out investment strategy designed to achieve the legislative and grant purpose of expanding Tunisia's private sector through development of an investment portfolio that, over the longer term, will make the fund self-sustaining. The strategy also recognizes that it is important not to compete with existing financial institutions and investment funds in Tunisia but rather to focus on filling the gaps in SME's access to finance.

Three and a half years into its operation, TAEF works with a broad segment of the MSME sector in Tunisia through a variety of investment platforms, including co-investing with private equity funds, directly funding

SMEs, and financing MFI and a business accelerator for start-ups. TAEF's flexible approach in structuring financing allows it to be creative in meeting the needs of many Tunisian SMEs. TASME's innovative debt-equity hybrid model, is particularly suited to family-owned SMEs but should be monitored in the future as investees begin to repay the loans and equity investments.

TAEF has clearly reached a wide segment of the SME market in Tunisia as well as micro-enterprises. There are several underserved markets, however, in which TAEF has had only limited engagement. These areas include the underdeveloped and vulnerable interior of Tunisia. To date, the majority of TAEF investments, with the exception of its investment in MFIs, are located in the more well-developed coastal regions. In addition, there has been less investment in smaller SMEs, with financing needs in the \$50,000 to \$400,000 range, with the majority at the higher end of the scale<sup>19</sup>. Finally, TAEF has invested directly in only a few women-owned SMEs, though there appears to be a strong positive impact on employment of women in many investees' SMEs. Going forward, TAEF may want to help fill gaps in the market by engaging more with these underserved geographic regions and SME segments.

TAEF has a dual goal of achieving financial sustainability and development impact. While TAEF has strong processes in place to examine risk and financial return, documentation regarding development impact is limited.

*Balancing Development Impact and Financial Return.* Based on the evaluation team's findings and review of TAEF's M&E plan and performance indicators, it is apparent that the board and senior management staff place significant importance on financial return and seek to measure TAEF's impact, in part, by the performance of the fund's investments. This priority is demonstrated by the range of indicators chosen to gauge investment performance. Additionally, the value and significance placed on investment performance is apparent in TAEF's internal controls, policies, and risk-management tools. For example, TAEF's M&E framework illustrates TAEF's ongoing efforts to provide a comprehensive yet accessible record of its performance and contribution on an ongoing basis to inform board deliberations and refinements to operations. TAEF's risk-management matrix captures a wide range of situations that could affect TAEF's performance with identified mitigating measures.

Despite TAEF's dual goal, the evaluation team was unable to determine to what extent and exactly how development objectives and considerations are used to inform investment decision-making and the implementation of the fund. As stipulated in the grant agreement, the TAEF board, together with executive management, is responsible for implementing strategy consistent with TAEF's investment policies and objectives, including that of development impact. While board members and TAEF management said that development impact is important to TAEF—particularly in reviewing investment opportunities and looking at the potential impact of that investment to support job creation as well as gender, youth, and geographic diversity—the evaluation team was unable to identify sufficient documentation on how the board factors development impact into the decision-making process.

The board minutes are concise and provide little, if any, detail or discussion about the review and approval process of each investment, particularly for TASME. Furthermore, the investment memoranda that is submitted to the board as part of the investment approval process contain only a few sentences highlighting the potential development impact that could occur through the investment. Accordingly, the evaluation team was not able to determine, for example, if a positive but lower than desired return on investment caused a high-impact development investment to be rejected.

Based on the findings and conclusions, the evaluation team recommends TAEF consider the following:

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<sup>19</sup> There are currently four TASME investments, totaling \$1,236,000, below \$400,000.

- *Documenting.* Given TAEF’s dual goals, discussion of how development impact factors into investment committee and board decisions should be better documented.
- *Exploring the Underserved Market.* While TAEF is actively addressing a wide range of market segments, including those that traditionally have struggled to obtain financing (such as large-cap SMEs, family-owned SMEs, high-growth startups, and microenterprises), there is a sizeable segment of enterprises in Tunisia that continue to be underserved by banks and equity investors as well as TAEF. While specifically meeting the financing needs of these underserved segments is not mandated in the TAEF grant agreement and legislation, to ensure consistency with its investment strategy to fill gaps in the market, TAEF may want to consider taking additional steps to build upon their existing investments in the underserved market, including in the interior regions outside Tunis and the coastal areas, women-owned businesses, and smaller SMEs seeking \$50,000 – 400,000 in financing.
- *Defining the Interior.* In the M&E grant agreement indicators, the interior is defined as “non-capital area regions”—or in other words, anywhere outside of Tunis. While investing in the coastal commercial centers of Sousse, Nabeul, and Sfax, where many TASME investees are located, will have positive impact, these areas typically are not considered the interior. The board should consider revising the definition of the interior to be “non-coastal underdeveloped regions.” This definition is important for accuracy in determining TAEF’s involvement in promoting the development of the vulnerable interior regions within Tunisia. If helpful, TAEF could consider utilizing three categories: Tunis, the developed coastal region, and the underdeveloped interior.
- *Expanding TAEF’s Capital Base After It Becomes Fully Invested.* With TAEF moving toward full investment, TAEF’s board and management should seek appropriate ways to increase its investment capital, beyond reinvestment of its investment reflows, to allow it to continue to make significant investments in the SME sector and create additional private-sector development impact, prior to its eventual wind down and liquidation. We believe that TAEF’s board is in the process of considering potential options in this regard, and we encourage it to continue to do so.

# ANNEX I: EVALUATION MATRIX AND DATA COLLECTION AND ANALYSIS PLAN

Evaluation Question	Data Collection Plan	Data Sources	Data Analysis Plan	Evidence Quality
<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<b>EQ1 Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?</b>				
<ul style="list-style-type: none"> <li>• What is the current composition of TAEF’s board?</li> <li>• When was the Board established?</li> <li>• Who are its members?</li> <li>• What are the qualifications of TAEF’s Board and is the Board’s composition aligned with international best practices in investment fund governance?</li> <li>• Does TAEF’s board have the right mix (Investment, finance, legal, knowledge of Tunisia, SME development, etc.) of experience and expertise to effectively govern TAEF?</li> </ul>	<p><b>Integrated a corporate governance assessment framework</b> (based on IFC methodology) to assess performance against international best practice.</p> <p>We used the following data collection methods:</p> <ul style="list-style-type: none"> <li>• Desk study</li> <li>• Electronic survey</li> <li>• KII</li> </ul>	<p><b>Primary Sources:</b></p> <ul style="list-style-type: none"> <li>• <b>Key informant interviews (KIIs)</b> conducted with the following: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management</li> <li>- USAID</li> </ul> </li> <li>• <b>Electronic survey</b> conducted with: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management and staff</li> </ul> </li> </ul> <p><b>Secondary Sources:</b></p> <ul style="list-style-type: none"> <li>• <b>Desk Study documentation</b> including: TAEF grant agreements, M&amp;E reports submitted to USAID, TAEF annual reports, policy and procedures manuals, by-laws, registration documents, documents on board membership, structure, and</li> </ul>	<p><b>1. Gathered and consolidated information:</b> findings from the desk review and US-based data collection as well as in-country research and evaluation.</p> <p><b>2. Organizing findings:</b> Data that meets the defined criteria is being grouped and analyzed by evaluation question.</p>	<p>After the aggregation of all relevant data is finalized, an appraisal of the quality of the information using the clearly defined criteria will be made, and conclusions will be drawn only from the data that meet quality standards.</p>
<ul style="list-style-type: none"> <li>• How is TAEF’s governance Board selected and retained? Are there any issues related to Board appointments and departures that negatively impact governance and performance?</li> </ul>				
<ul style="list-style-type: none"> <li>• What are the roles and responsibilities of TAEF’s Board of Directors?</li> <li>• Are there Board Committees, and if so, what are their roles, responsibilities and membership? Do the members of the committees have the appropriate qualifications?</li> </ul>				

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<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<ul style="list-style-type: none"> <li>• How are decisions made regarding management and staff compensation? Are incentive compensation plans approved, and if so, on what basis?</li> <li>• Are there approved policies on conflict of interest, and how are such policies monitored and enforced?</li> </ul>		governing procedures, and other corporate documents, literature on investment fund governance. Research also covered materials related to the performance of prior iterations of enterprise funds.	<b>3. Code data:</b> The evaluation team has developed a coding framework, which consists of a list of codes that is being used to index and divide material into descriptive topics	
<ul style="list-style-type: none"> <li>• How effective has TAEF’s pro bono Board of Directors been in providing guidance, direction, and oversight in the operations of the fund and in the operations of the entities in which the fund invested? Has the Boards’ decision-making processes been aligned with international best standards for investment fund governance, or have they worked to the detriment of TAEF’s abilities to achieve its stated objectives? If so, what are the factors contributing to this?</li> </ul>				
<ul style="list-style-type: none"> <li>• How has TAEF’s Board of Directors articulated and ensured adherence to strategic mandates and priorities? How well has the Board managed the evolution of strategies and priorities to account for changing economic and political dynamics in Tunisia?</li> </ul>				
<ul style="list-style-type: none"> <li>• What are the Board’s policies and criteria for evaluating and approving investments presented by TAEF management, and for approving the creation of new entities to be wholly owned by TAEF?</li> </ul>				

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<ul style="list-style-type: none"> <li>• Are TAEF’s risk management and internal controls sufficient to ensure sound stewardship of the Fund’s assets and compliance with relevant regulations?</li> </ul>				
<ul style="list-style-type: none"> <li>• What are the Board’s institutional procedures, capacities, and resources to monitor, evaluate, and report on activities for internal management as well as for external accountability?</li> </ul>				
<ul style="list-style-type: none"> <li>• How is oversight exercised by the Board? What is the degree of responsiveness of TAEF’s management to such oversight?</li> </ul>				
<ul style="list-style-type: none"> <li>• How is oversight exercised by the granting authority, USAID? What is the degree of responsiveness of TAEF’s Board and management to such oversight?</li> </ul>				
<ul style="list-style-type: none"> <li>• Does the Grant Agreement provide enough clarity to the TAEF managers regarding USAID’s expectations in terms of private sector development and financial returns? What level of regular monitoring of TAEF’s performance is USAID undertaking?</li> <li>• How has USAID oversight evolved since the program inception?</li> <li>• Are performance indicators used by USAID sufficient to monitor fund performance, identify performance risks and inform management decisions?</li> </ul>				
<ul style="list-style-type: none"> <li>• Does USAID have adequate access to information and adequate staff</li> </ul>				

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<p>expertise and management arrangements in place in Washington, D.C. or Tunisia to effectively exercise its oversight role since inception of TAEF’s operation, as established in the original Grant Agreement? If so, what is proving most critical? If not, what is missing?</p>				
<b>EQ 2 Operations: Has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?</b>				
<ul style="list-style-type: none"> <li>• How effective are the systems, policies, procedures, and controls behind TAEF’s management and operations (human resources, IT, procurement, travel, business insurance, etc.)</li> <li>• What specific business systems, policies and procedures have been established in order to attain stated goals and objectives?</li> <li>• Are these processes and systems of management effective?</li> <li>• What problems and issues have been encountered while delivering TAEF objectives?</li> <li>• Is there a whistle blower policy in place? Is it adequate and are staff aware of it?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Does TAEF have an adequate financial management system in place?</li> <li>• What financial systems, policies and procedures, and controls are in place?</li> <li>• Are these adequate to prevent fraud, and properly track and report on funds?</li> </ul>	<p>We collected data to respond to EQ2 through the following methods:</p> <ul style="list-style-type: none"> <li>• Desk study</li> <li>• Electronic survey</li> <li>• KII</li> </ul>	<p><b>Primary Sources:</b></p> <ul style="list-style-type: none"> <li>• <b>Key informant interviews (KIIs)</b> were conducted with the following: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management</li> <li>- TAEF staff</li> <li>- USAID</li> <li>- TAEF counsel and audit firm</li> <li>- Other stakeholders as necessary</li> </ul> </li> <li>• <b>Electronic survey</b> were conducted with: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management and staff</li> </ul> </li> </ul> <p><b>Secondary Sources:</b></p> <ul style="list-style-type: none"> <li>• <b>Desk Study documentation</b> including TAEF grant agreements, PMP, M&amp;E reports</li> </ul>	<p><b>1. Gathered and consolidated information:</b> findings from the desk review and US-based data collection as well as in-country research and evaluation.</p> <p><b>2. Organizing findings:</b> Data that meets the defined criteria are being grouped and analyzed</p>	<p>After the aggregation of all relevant data is finalized, an appraisal of the quality of the information using the clearly defined criteria will be made, and conclusions will be drawn only from the data that meet quality standards.</p>

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<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<ul style="list-style-type: none"> <li>• Does TAEF have an annual audit and if so have there been any management findings?</li> <li>• Is TAEF meeting USAID’s financial reporting requirements?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Does TAEF have a performance monitoring plan (PMP) in place and sufficient internal M&amp;E systems and staff capacity to collect data and report quality findings?</li> <li>• When was the PMP finalized and why was it delayed?</li> <li>• Is PMP data reported regularly?</li> <li>• Are TAEF’s private sector development and financial objectives clearly articulated and are there appropriate indicators that measure performance against these objectives? What are the performance measurements, targets, benchmarks or other metrics to facilitate performance monitoring? And, how effective has TAEF been in evaluating performance per its plan? How are these performance metrics incorporated in the operations and reporting processes of TAEF?</li> <li>• What considerations were used in the selection of private sector development indicators? (e.g., priority sectors such as micro and small and medium enterprises, gender, market and sector analysis, positioning and strategy of other donors or private venture funds with similar mandates, strengths and</li> </ul>		<p>submitted to USAID, policy and procedures (finance, HR, etc.) manuals, audited financial statements, chart of accounts, tax returns, business registration documents, business insurance policies, legal documents. Research also covered materials related to the performance of prior iterations of enterprise funds.</p>	<p>by evaluation question.</p> <p><b>3. Code data:</b> The evaluation team has developed a coding framework, which consists of a list of codes that is being used to index and divide material into descriptive topics</p>	

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<p>experience of the fund managers, opportunistic approach)</p> <ul style="list-style-type: none"> <li>• How do TAEF managers, Board members, and USAID define success in terms of the private sector development objectives?</li> <li>• What are the expectations for financial returns? Given that this may be high-risk capital with a long investment horizon, how are acceptable investment returns defined?</li> <li>• How do TAEF managers, Board members and USAID identify and define the balance between acceptable financial returns and private development impact?</li> <li>• If private sector development and/ or financial performance targets are not being achieved, what remedial actions can and will Fund managers, Board members and USAID take to address performance?</li> <li>• How is gender incorporated as a performance indicator and what kind of data does TAEF collect about its investments with respect to gender? Is data disaggregated by gender, ethnicity, and other disadvantaged groups?</li> <li>• Do USAID performance monitoring requirements maintain the same balance between financial returns and private sector development impact defined in TAEF grant agreement?</li> </ul>				

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<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<ul style="list-style-type: none"> <li>• What is TAEF's organizational structure and staffing plan (departments, location, decision-making process, risk management, skills sets, reporting structure etc.)?</li> <li>• Is this adequate for the effective management of TAEF and the ability to meet its goals per the Grant Agreement and its investment strategy?</li> <li>• What are the qualifications of TAEF's senior management team? Are roles and responsibilities and lines of authority clear?</li> <li>• Does TAEF staff have the appropriate mix of skills and expertise? How TAEF staff are trained and are they able to adequately fulfill their responsibilities and successfully run the Fund?</li> <li>• Are there any staffing gaps in the organizational structure?</li> </ul>				
<ul style="list-style-type: none"> <li>• Does TAEF have adequate HR policies and procedures? How are compensation decisions made? Is there a performance review system? Are incentive compensation plans approved and on what basis? Is there an approved ethics and conflict of interest policy? What percentage of TAEF staff are women. Are the policies and procedures in place that encourage a diverse workplace and address sexual harassment?</li> </ul>				
<ul style="list-style-type: none"> <li>• Does TAEF and its subsidiaries have appropriate business registration</li> </ul>				

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<p>documents and is it in good standing in all of its jurisdictions?</p> <ul style="list-style-type: none"> <li>• Does TAEF have adequate legal counsel?</li> <li>• Does TAEF have in-house or external legal counsel?</li> <li>• How familiar is TAEF senior management with the legal and regulatory environment?</li> <li>• Does TAEF have any pending legal claims?</li> <li>• What are the processes and staffing structures for managing legal, tax and grant compliance? Are they adequate?</li> </ul>				
<b>EQ3 Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?</b>				
<ul style="list-style-type: none"> <li>• Does TAEF have a thorough understanding of the private sector and its financing needs, the finance and investment sector and business enabling environment in Tunisia?</li> <li>• Has it undertaken market research, feasibility studies, competitive analysis or assessments?</li> <li>• Does TAEF have staff with appropriate knowledge of the SME and finance sector</li> </ul> <p>• Is TAEF a member of any business associations, chambers of commerce, etc.? Has TAEF developed any partnerships with NGOs, USAID/other donor projects, government entities,</p>	<p>We collected data to respond to EQ3 through the following methods:</p> <ul style="list-style-type: none"> <li>• Desk study</li> <li>• Electronic survey</li> <li>• KII</li> <li>• FGD</li> <li>• Site visits</li> </ul>	<p><b>Primary Sources:</b></p> <ul style="list-style-type: none"> <li>• <b>Key informant interviews (KIIs)</b> were conducted with the following: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management</li> <li>- TAEF staff</li> <li>- USAID</li> <li>- Financial Intermediaries and Co-investors</li> <li>- Investees/SMEs</li> <li>- Business association leaders</li> </ul> </li> <li>• <b>Focus Group Discussions</b> <ul style="list-style-type: none"> <li>- Investees/SMEs</li> </ul> </li> </ul>	<p><b>1. Gathered and consolidated information:</b> findings from the desk review and US-based data collection as well as in-country research and evaluation.</p> <p><b>2. Organized findings:</b></p>	<p>After the aggregation of all relevant data is finalized, an appraisal of the quality of the information using the clearly defined criteria will be made, and conclusions will be drawn only from the data that meet quality standards.</p>

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<p>etc., as part of a private sector outreach strategy?</p> <ul style="list-style-type: none"> <li>Does TAEF or any of its partners or subsidiaries provide technical assistance or training for businesses receiving capital? If they do:</li> <li>Are these programs appropriate and effective?</li> <li>How many Tunisian firms have accessed training or TA? (Disaggregated by size, business type, sex of business owner, geographic location, etc.)</li> <li>Overall, what has been the demand for TAEF financing by business type (size, sector, sex of business owner, etc.)? Is there something TAEF can be doing differently to increase demand by business type?</li> <li>How do Tunisian firms perceive TAEF and its subsidiaries? Is TAEF and its subsidiaries/financial partners known? Do they have a good reputation with SMEs, the government, and the general public?</li> <li>What are TAEF’s, its subsidiaries, and partner’s strategies for engaging directly with Tunisian firms? Has it been effective? With which types of firms (micro, small, medium, agricultural, sectors-finance, women-owned, youth-owned, other disadvantaged groups, etc.) How could it be improved by business type?</li> </ul>		<ul style="list-style-type: none"> <li><b>Site Visit</b> <ul style="list-style-type: none"> <li>SMEs/Investees</li> </ul> </li> <li><b>Electronic survey</b> was conducted with: <ul style="list-style-type: none"> <li>Board of Directors</li> <li>TAEF management and staff</li> <li>SMEs/Investees</li> </ul> </li> </ul> <p><b>Secondary Sources:</b></p> <ul style="list-style-type: none"> <li><b>Desk Study documentation</b> including Grant Agreement, market research, feasibility studies, training curriculum, reports on training and TA, PMP, brochures and other marketing materials and strategy documents.</li> </ul>	<p>Data that meets the defined criteria are being grouped and analyzed by evaluation question.</p> <p><b>3. Code data:</b> The evaluation team developed a coding framework, which consists of a list of codes that is being used to index and divide material into descriptive topics.</p>	

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<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<ul style="list-style-type: none"> <li>• Are TAEF’s approaches for engaging Tunisian firms adequate to enable it to meet its investment strategy and Grant Agreement goals?</li> </ul>				
<b>EQ4 Investment Strategy: Is TAEF’s investment strategy and approach tailored to the needs of Tunisian firms?</b>				
<ul style="list-style-type: none"> <li>• What are the financing needs of Tunisian firms (micro, small, medium, agricultural, joint ventures, women-owned, etc.)?</li> <li>• Does TAEF staff have adequate market knowledge and resources on private sector financing needs?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• What is TAEF’s investment strategy? How does this strategy address financing needs, market gaps and opportunities?</li> <li>• To what extent do the grant agreement and/or evolving private sector needs shape TAEF strategy?</li> <li>• How closely do TAEF’s operations align to established strategy and investment priorities?</li> <li>• What investment products and vehicles does TAEF offer, and how do they align with the investment strategy, private sector needs, and marketplace?</li> <li>• How will TAEF investments lead to increased private sector development?</li> <li>• What private sector development objectives and indicators did TAEF establish?</li> </ul>	<p>We collected data to respond to EQ4 through the following methods:</p> <ul style="list-style-type: none"> <li>• Desk study</li> <li>• Electronic survey</li> <li>• KII</li> <li>• FGD</li> <li>• Site visits</li> </ul>	<p><b>Primary Sources:</b></p> <ul style="list-style-type: none"> <li>• <b>Key informant interviews (KIIs)</b> were conducted with the following: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management</li> <li>- TAEF staff</li> <li>- USAID</li> <li>- Financial intermediaries, subsidiaries, co-investors</li> <li>- Investees/SMEs</li> </ul> </li> <li>• <b>Focus Group Discussions</b> will be conducted with <ul style="list-style-type: none"> <li>- SMEs/Investees</li> </ul> </li> <li>• <b>Site Visit</b> <ul style="list-style-type: none"> <li>- SMEs/Investees</li> </ul> </li> <li>• <b>Electronic survey</b> were conducted with: <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- TAEF management and staff</li> </ul> </li> </ul> <p><b>Secondary Sources:</b></p>	<p><b>1. Gathered and consolidated information:</b> findings from the desk review and US-based data collection as well as in-country research and evaluation.</p> <p><b>2. Organized findings:</b> Data that meets the defined criteria are being grouped and analyzed by evaluation question.</p> <p><b>3. Code data:</b> The</p>	<p>After the aggregation of all relevant data is finalized, an appraisal of the quality of the information using the clearly defined criteria will be made, and conclusions will be drawn only from the data that meet quality standards.</p>

Evaluation Question	Data Collection Plan	Data Sources	Data Analysis Plan	Evidence Quality
<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<ul style="list-style-type: none"> <li>• How does TAEF decide on priority sectors such as micro and small and medium enterprises? And, how does TAEF determine investment strategy, mix of investments (loans, equity, joint ventures with financial institutions), and related products?</li> <li>• Is TAEF accomplishing its initial objectives? How is performance measured?</li> <li>• Is the investment mix appropriate to meet the financing need of Tunisian firms?</li> <li>• What external factors contribute to (or hinder) this success?</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Desk Study documentation</b> Market research, TAEF investment strategy documents, annual reports, financial product reports from TAEF subsidiaries and financial intermediary, investees, portfolio reports, economic reports, investment policies and procedures, risk management policies and procedures, PMP, M&amp;E reports, TAEF grant agreements</li> </ul>	<p>evaluation team developed a coding framework, which consists of a list of codes that is being used to index and divide material into descriptive topics</p>	
<ul style="list-style-type: none"> <li>• What is the number and value of investments by type and size of firm for both TAEF and its subsidiaries and financial intermediary investees?</li> </ul>				
<ul style="list-style-type: none"> <li>• How effective is TAEF’s management in ensuring private sector development objectives are met?</li> <li>• Are private sector development and financial objectives clearly articulated by the TAEF managers? Are they understood by all staff? Are they operationalized in strategic planning, work planning, investment strategy, risk management, and performance monitoring and reporting processes?</li> <li>• Are TAEF’s overarching objectives incorporated in employees’ performance objectives?</li> </ul>				

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<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<ul style="list-style-type: none"> <li>• Does TAEF’s organizational structure support the execution of its investment strategy? If not, what adjustments are being made and how are they anticipated to effect performance?</li> <li>• What analytical, business intelligence and decision-making “infrastructure” does the TAEF utilize to make investment decisions to ensure that the balance between financial returns and private sector development impact is maintained?</li> </ul>				
<ul style="list-style-type: none"> <li>• What financial performance objectives are set by TAEF? Are they projected to change over time?</li> <li>• What investment and risk management strategies did TAEF develop to meet these objectives? How is risk appraised and managed in joint ventures and other co-investment schemes?</li> <li>• Do investment criteria and the due diligence process consider issues, such as worker rights and human rights, gender, environmental factors, U.S. economic and employment effects and the likelihood of commercial viability? Is there a system in place to monitor these issues post-investment?</li> <li>• How is lack of performance addressed by TAEF?</li> </ul>				
<ul style="list-style-type: none"> <li>• To what extent have TAEF’s operations helped identify and promote policies and practices needed to encourage and facilitate private investment and address</li> </ul>				

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<b>What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector?</b>				
<p>challenges in the business enabling environment? To what extent has TAEF disseminated commercial best practices? Are there plans, strategies and communications capacity to do this overtime?</p>				
<ul style="list-style-type: none"> <li>• Have there been any examples of “crowding-in” - external investment from other sources - as a result of TAEF’s activities in Tunisia to date?</li> </ul>				
<ul style="list-style-type: none"> <li>• What are TAEF’s projections for becoming self-sustaining? What structures are in place to reach these projected targets?</li> <li>• How realistic and feasible are these projections and structures?</li> <li>• Are the financial structures in place meeting these initial targets?</li> </ul>				

# ANNEX II: DESK STUDY

## BIBLIOGRAPHY

- Tunisia Country Development Cooperation Strategy (CDCS). September 2016.
- USAID documents related to experience with Tunisian private-sector development, financial sector & SMEs
- Europe and Eurasia Enterprise Fund Report.
- TAEF Certificate of Incorporation. February 4, 2013
- TAEF By Laws
- TAEF Amended and Restated Statement of Corporate Policies and Procedures. January 15, 2015
- TAEF board Approval guidelines letter. July 8, 2015
- TAEF Grant Agreement (third amendment). December 22, 2016
- TAEF Annual Reports. (2013-2016)
- Performance Monitoring Plan.
- Composition of board documents.
- Compensation of board documents.
- TAEF Financial statements (filings, audits, and correspondence).
- Board of Director meeting minutes
- Corporate governance policies
- Internal control and risk policy documents - TAEF/TASME
- External audit reports - and communication related to resolutions
- Policies on incentive compensation conflict of interest
- Board policy and criteria for evaluating and approving investments
- Policies on ethics and conflicts of interest
- Training and orientation materials (TAEF senior management)
- Application(s) and supporting documents - for businesses receiving capital
- Documents related to the due diligence and underwriting process (e.g. site visit checklist)
- Policies related to investment review and approval process
- Documents related to investment monitoring
- Investment committee minutes, board minutes, etc.
- TAEF overarching investment strategy
- TAEF Schematic of Investment
- Technical assistance/training documents for businesses receiving capital
- Press Coverage of TAEF
- Documents related to GENDER inclusion in private sector, programming, etc.
- Documents related to YOUTH inclusion in private sector, programming, etc.
- Congressional Testimony (Video) on Tunisian and Egyptian Enterprise Funds.
- Brookings Institute (Video) Europe & Eurasia Enterprise Fund panel discussion.
- TAEF (Video) on Development Impact

# ANNEX III: RECORD OF DATA SOURCES

Annex III has been removed to ensure the protection of human subjects who participated in the evidence based and early implementation evaluation of the Tunisian American Enterprise Fund.

# ANNEX IV: DATA COLLECTION TOOLS AND INSTRUMENTS

1. TAEF Board of Directors, Electronic Survey
2. TAEF Management and Staff, Electronic Survey
3. TAEF Investees, Electronic Survey
4. Key Informant Interview Guide, TAEF Board of Directors
5. Key Informant Interview Guide, TAEF Senior Management
6. Key Informant Interview Guide, TAEF Investment Managers
7. Key Informant Interview Guide, TAEF Accountant and Financial Controller
8. Key Informant Interview Guide, TAEF Public Relations and Communications Manager
9. Key Informant Interview Guide, USAID
10. Key Informant Interview Guide, Financial Intermediaries and Co-Investees
11. Key Informant Interview Guide, TAEF Investees
12. Key Informant Interview Guide, International Stakeholders
13. Key Informant Interview Guide, National/Local Government
14. Key Informant Interview Guide, USG Staff in Tunisia



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**ELECTRONIC SURVEY,**  
**TAEF BOARD OF DIRECTORS**

This electronic survey has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

This evaluation is not an audit and does not seek to identify weaknesses other than in the spirit of drawing out lessons learned to inform future planning at TAEF as well as prospective replication of the enterprise fund model in other countries and regions going forward. The evaluation team recognizes that TAEF has been operating for a relatively short period of time and that it is too early to draw definitive conclusions on TAEF’s achievements, success, or impact. As a result, the focus of this evaluation is on whether the appropriate processes, systems, strategies and governance structures have been established that will support future success and impact. Responses to the questionnaire will not be directly attributed to any individual in the final report.

No.	Question	Answers
<b>Evaluation Question 1: Governance</b>		
1	To what extent do you agree with the following statement: “TAEF maintains a strong commitment to corporate governance policies and practices, following accepted international standards.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
2	How often do issues related to board appointments or departures negatively impact governance and performance?	Frequently.....1 Somewhat Frequently.....2 Rarely.....3 Never.....4
3	To what extent do you agree with the following statement: “TAEF maintains strong internal controls and risk management systems that ensure sound stewardship of TAEF’s assets and compliance with relevant laws and regulations.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
4	Select the response that best describes the nature and adequacy of USAID oversight of TAEF?	Highly Effective.....1 Effective.....2 Needs some improvement.....3 Ineffective.....4
<b>Evaluation Question 2: Operations</b>		
5	To what extent do you agree with the following statement: “TAEF has an organizational structure and staffing in place that will enable it to meet its goals.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5



No.	Question	Answers
6	Which best describes the effectiveness of TAEF's systems, policies and procedures that support management and operations?	Excellent.....1 Good.....2 Adequate.....3 Needs some improvement.....4 Inadequate.....5
<b>Evaluation Question 3: Private Sector Engagement</b>		
7	How effective has TAEF's and its subsidiaries and partners' strategy been for engaging directly with Tunisian firms?	Highly Effective.....1 Effective.....2 Needs some improvement.....3 Ineffective.....4
8	What best describes the effectiveness of TAEF in targeting women-owned businesses seeking financial support?	Excellent.....1 Good.....2 Adequate.....3 Needs some improvement.....4 Inadequate.....5
9	How effective has TAEF been in reaching potential investee companies outside of greater Tunis?	Highly Effective.....1 Effective.....2 Needs some improvement.....3 Ineffective.....4
<b>Evaluation Question 4: Investment Strategy</b>		
10	To what extent do you agree with the following statement: "TAEF's investment strategy and approach is tailored to the needs of Tunisian firms."	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
11	How closely aligned are TAEF's operations to established strategy and investment priorities?	Closely aligned.....1 Aligned.....2 Somewhat aligned.....3 Not aligned.....4
12	To what extent do you agree with the following statement: "There are adequate systems and practices in place to ensure that the Board is able to make informed, financially sound investment decisions."	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
13	To what extent do you agree with the following statement: "There are adequate systems and staff in place for monitoring the financial performance of TAEF."	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
14	Does TAEF have in place plans and projections for self-sustainability?	Yes and they are realistic.....1 Yes, but they are not realistic.....2 No.....3



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**ELECTRONIC SURVEY,**  
**TAEF MANAGEMENT AND STAFF**

This electronic survey has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

This evaluation is not an audit and does not seek to identify weaknesses other than in the spirit of drawing out lessons learned to inform future planning at TAEF as well as prospective replication of the enterprise fund model in other countries and regions going forward. The evaluation team recognizes that TAEF has been operating for a relatively short period of time and that it is too early to draw definitive conclusions on TAEF’s achievements, success, or impact. As a result, the focus of this evaluation is on whether the appropriate processes, systems, strategies and governance structures have been established that will support future success and impact. Responses to the questionnaire will not be directly attributed to any individual in the final report.

No.	Question	Answers
<b>Evaluation Question I: Governance</b>		
1	In your opinion, how effective is the current structure of the TAEF Board of Directors in providing strong corporate governance and oversight to TAEF?	Highly Effective.....1 Effective.....2 Needs some improvement.....3 Ineffective.....4
2	To what extent do you agree with the following statement, “The TAEF Board of Directors demonstrates commitment to implementing corporate governance policies and practices, according to accepted international standards.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
3	To what extent do you agree with the following statement, “The TAEF Board of Directors level of engagement is adequate to ensure oversight.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
4	In your opinion, how effective is the TAEF Board of Directors in ensuring financially sound investment decisions that align with the investment strategy?	Highly Effective.....1 Effective.....2 Needs some improvement.....3 Ineffective.....4
5	In your opinion, how responsive is the Board of Directors in decision-making?	Highly Responsive.....1 Responsive.....2 Needs some improvement.....3 Unresponsive.....4



No.	Question	Answers
6	To what extent do you agree with the following statement, “TAEF’s/TASME’s risk management and internal controls are sufficient to ensure the sound stewardship of the Fund’s assets and compliance with relevant regulations.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
<b>Evaluation Question 2: Operations</b>		
7	To what extent do you agree with the following statement, “TAEF has established appropriate and effective operational structures, systems and policies to ensure success.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
8	How would you characterize TAEF’s financial management systems, processes and procedures.	Excellent.....1 Good.....2 Adequate.....3 Needs some improvement.....4 Inadequate.....5
9	To what extent do you agree with the following statement, TAEF’s organizational structure and staffing plan are effective for the management of TAEF and its ability to meet its goals.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
10	To what extent do you agree with the following statement, “TAEF has strong systems in place to ensure regulatory and compliance requirements are met.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
11	To what extent do you agree with the following statement: “The TAEF performance management plan has sufficient capacity to collect data and report quality findings.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
<b>Evaluation Question 3: Private Sector Engagement</b>		
12	How would you characterize TAEF’s knowledge and understanding of Tunisia’s private sector and its financing needs, the country’s finance and investment sector, and the business enabling environment?	Excellent.....1 Good.....2 Adequate.....3 Needs some improvement.....4 Inadequate.....5
13	Does TAEF undertake market research, feasibility studies, and/or competitiveness analyses?	Select all that apply: Market Research.....1 Feasibility Studies.....2 Competitiveness Analyses.....3
14	To what extent is TAEF and its subsidiaries known in the local business and official communities?	Well known.....1 Somewhat known.....2 Not known.....3
15	To what extent do you agree with the following statement, “TAEF’s approaches for engaging Tunisian	Strongly agree.....1 Agree.....2 Neutral.....3



No.	Question	Answers
	firms are adequate to meet its investment strategy and grant agreement goals.”	Disagree.....4 Strongly disagree.....5
<b>Evaluation Question 4: Investment Strategy</b>		
16	To what extent do you agree with the following statement, “TAEF’s investment strategy meets the financing needs of Tunisian firms”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
17	To what extent do you agree with the following, “there is strong demand for financing from TAEF/TASME and its investment partners.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
18	To what extent do you agree with the following statement, “TAEF’s due diligence and underwriting processes are effective in analyzing investments and identifying risks.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
19	To what extent do you agree with the following statement, “TAEF investments will lead to enhanced private sector development.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
20	To what extent is TAEF positioned to achieve the development objectives as stated in the grant agreement?	Well placed.....1 Somewhat well placed.....2 Needs some improvement.....3 Not well placed.....4
21	To what extent do you agree with the following statement, “TAEF has realistic plans, projects and systems in place to achieve financial self-sustainability.”	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**ELECTRONIC SURVEY,**  
**TAEF INVESTEES**

This electronic survey has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. Responses to the questionnaire will not be directly attributed to any individual in the final report. Your responses will help inform recommendations to USAID and TAEF to support its important work in financing private sector development in Tunisia.

No.	Question	Answers
<b>Evaluation Question 3: Private Sector Engagement</b>		
1	Why did you decide to approach TAEF/TASME/Financial intermediary for your financing needs?	Good reputation.....1 Best after considering others.....2 No other alternative.....3 Was rejected by other source(s)4 First source approached.....5
2	How would you describe the application process to obtain your investment?	Very reasonable.....1 Reasonable.....2 Somewhat difficult.....3 Difficult.....4 Very difficult.....5
3	Are you satisfied with the amount of financing support you received from TAEF?	Very Satisfied.....1 Satisfied.....2 Generally satisfied.....3 Somewhat dissatisfied.....4 Dissatisfied.....5
4	Are you satisfied with the terms you received from TAEF/TASME/Financial intermediary?	Very Satisfied.....1 Satisfied.....2 Generally satisfied.....3 Somewhat dissatisfied.....4 Dissatisfied.....5
5	Overall, how would you characterize TAEF’s knowledge and understanding of Tunisia’s private sector?	Excellent.....1 Good.....2 Fair.....3 Poor.....4 Don’t know.....5
6	How effective has TAEF’s and its partners been in providing finance and other support to Tunisian firms?	Highly Effective.....1 Effective.....2 Needs some improvement.....3 Ineffective.....4
7	How would you characterize the effectiveness of TAEF in supporting women-owned businesses?	Excellent.....1 Good.....2 Adequate .....3 Needs some improvement.....4 Inadequate.....5
<b>Evaluation Question 4: Investment Strategy</b>		



No.	Question	Answers
8	To what extent do you agree with the following statement: "TAEF's investment strategy and approach is tailored to the needs of Tunisian firms."	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
9	To what extent do you agree with the following: "The investment/services/products and terms offered by TAEF/TASME are appropriate for my business's financing/technical needs."	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5
10	How would you describe TAEF's investment monitoring process?	Very reasonable.....1 Reasonable.....2 Somewhat difficult.....3 Difficult.....4 Very difficult.....5
11	If you received an equity investment and a TAEF representative sits on the board of directors, how would you rate that experience?	Excellent.....1 Good.....2 Fair.....3 Poor.....4 Too early to tell.....5 Not applicable.....6
12	Do you believe the current legal and regulatory environment in Tunisia is conducive for your business to continue to grow?	Strongly agree.....1 Agree.....2 Neutral.....3 Disagree.....4 Strongly disagree.....5



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**TAEF BOARD OF DIRECTORS**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund's (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia's private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

This evaluation is not an audit and does not seek to identify weaknesses other than in the spirit of drawing out lessons learned to inform future planning at TAEF as well as prospective replication of the enterprise fund model in other countries and regions going forward. The evaluation team recognizes that TAEF has been operating for a relatively short period of time and that it is too early to draw definitive conclusions on TAEF's achievements, success, or impact. As a result, the focus of this evaluation is on whether the appropriate processes, systems, strategies and governance structures have been established that will support future success and impact. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>20</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**  
**Date:**

<b>RESPONDENT INFORMATION:</b>	
<b>Name:</b>	
<b>Gender</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
When did you begin your engagement as a TAEF Board member? How long is your term?	
What is your role on the Board? Are you a member of any Board committees? Which ones? Have there been any particular issues and / or problems that have been addressed by your committee(s)? If yes, please describe.	

<sup>20</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



<p>Do you have any other position with TAEF concurrent with your Board membership (for example, an executive position)? Please clarify and specify the duration of this engagement.</p>	
<p>Do you have, or have you had, a financial or other interest in any advisory funds, investment management funds, or companies in which TAEF is or has invested or that provide (d) services to TAEF? Please describe.</p>	
<p>Please indicate the frequency of Board meetings and attendance patterns and what if any meetings have you attended in Tunisia?</p>	
<p><b>Current location and contact information:</b></p>	<p>E-mail: Telephone number: Assistant's name and contact information:</p>
<p><b>Do you agree to have your name included as a key informant in the final evaluation report?</b></p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

**EQ1. Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

1. Please provide a description of the structure of the Board and your views on its efficacy, for example composition, committees, Director selection processes, term limits, succession policies, and compensation or other incentives. How could these be strengthened?
2. How does your expertise and experience contribute to overall functioning of the Board? In your opinion is there any expertise currently missing from the Board? Are there any issues related to board appointments or departures that negatively impact governance and performance?
3. In your opinion, to what extent does the Board demonstrate commitment to implementing corporate governance policies and practices according to accepted international standards? For example, what corporate policies does the Board adopt as part of its stewardship of the Fund? Are these policies documented? Can the evaluation team have access to them? If you have served on an investment fund board in the past, how does TAEF corporate governance policies and practices compare?



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4. Are TAEF's risk management and internal controls sufficient to ensure sound stewardship of the Fund's assets and compliance with relevant regulations? In what documents are internal control and risk management policies described? Please provide one or two examples. Can the evaluation team have access to them?
5. Are you aware of any fraud that has taken place? What systems and policies are in place to prevent it?
6. Do TAEF's financial and qualitative disclosures provide a relevant, accurate, and timely representation of its economic transactions and allocation of resources? Please provide one or two examples.
7. Have there been any external audit findings pointing to deficiencies in TAEF's internal controls or financial or operations management functions? If yes, how has the Board addressed these findings? Can the evaluation team have access to relevant communication?
8. How are decisions made regarding management and staff compensation? Are incentive compensation plans approved and if so on what basis? Are there approved policies on conflict of interest, and how are such policies monitored? Can the evaluation team have access to relevant policies?
9. Please characterize TAEF's relationship with USAID and USG (in particular the U.S. Embassy in Tunis and the Middle East Bureau). How is oversight of TAEF exercised by USAID? What is the nature or degree of responsiveness of TAEF's Board and management to such oversight? How could this oversight be improved?
10. What recommendations would you offer to USAID in the case of future design and establishment of enterprise funds in market-based / middle income countries?
11. Please identify actions that could be taken to make your work as a member of TAEF's Board of Directors more effective and improve overall corporate governance.

**EQ2. Operations: How has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?**

1. In your view, how effective are the systems, policies, procedures, and controls behind TAEF's management and operations (financial management, human resources, IT, etc.)? Please provide some examples illustrating your views.
2. Does TAEF have a Performance Monitoring Plan (PMP) in place and sufficient capacity to collect data and report quality findings? Is such reporting done on a regular basis?
3. How does the Board define success for TAEF? What is the balance sought between financial performance and development impact? How is each measured?
4. How is gender incorporated as a performance indicator?



5. If targets are not being achieved, what is the Board's role in addressing performance issues? Please provide examples.
6. In your opinion, is TAEF's organizational structure and staffing plan adequate for the effective management of TAEF and its ability to meet its goals? How could it be strengthened?
7. Does TAEF have adequate legal counsel? Are there any pending legal claims? In your opinion are there any actions that could improve legal, tax and grant compliance?

**EQ3. Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. How would you characterize TAEF's knowledge and understanding of Tunisia's private sector and its financing needs, the country's finance and investment sector, and the business enabling environment?
2. What is TAEF's and its subsidiaries and partners' strategy for engaging directly with Tunisian firms? Has it been effective to date? Please provide some examples.
3. How do Tunisian firms perceive TAEF and its subsidiaries? To what extent are TAEF and its subsidiaries known in the local business and official communities, and how would you characterize their reputation?
4. What actions could TAEF and its operating structures take to strengthen private sector engagement in general and with women-owned businesses and businesses outside of Tunis, specifically?

**EQ4. Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. What is TAEF's overarching investment strategy? Is TAEF's strategy written? Is it publicly available? If so, where? To what extent do the grant agreement and/or evolving private sector needs in Tunisia shape TAEF's strategy? Please provide one or two examples and exceptions, as relevant.
2. How closely do TAEF's operations align to the established strategy and investment priorities? How and using what criteria does TAEF establish its investment priorities? Are those investment priorities changing over time? If so, why? Please provide one or two examples and exceptions, as relevant.
3. To what extent is the Board involved in developing and overseeing TAEF's strategy and in overseeing TAEF's management and performance on a regular basis and beyond formal endorsement? Is this level of engagement sufficient to ensure adequate oversight?
4. What is the Board's role in the investment review and approval process? What are the Board's policies and criteria for evaluating and approving investments and for approving the creation of new entities to be wholly owned by TAEF? Can the evaluation team have access to these policies? In your opinion, is the Board's role adequate to ensure financially sound investment decisions that



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align with strategy? In your opinion, do you receive adequate information to make an informed investment decision? How could the Board's role in investment approval be strengthened?

5. Please describe the Board's role and systems in place for monitoring the overall investment portfolio and individual investments. In your opinion, are these systems adequate?
6. How will TAEF investments lead to enhanced private sector development?
7. How has TAEF learned from these early investments? Has TAEF made any institutional or structural changes as a result? Are there any lessons that should be acted on?
8. Does TAEF have an adaptive management culture in place to learn from successes and failures? Please provide examples of how this learning culture is institutionalized.
9. To what extent has TAEF helped to identify and promote policies and practices needed to encourage and facilitate private investment? Please explain. Are there systems, structures and government/private sector networks in place to help TAEF do this? In your opinion, is there anything that TAEF might be doing better or differently to improve its ability to support private sector development and reforms in Tunisia?
10. To what extent has TAEF disseminated commercial best practices to date? Are there plans, strategies and communications capacity to do this over time?
11. Have there been any examples of "crowding-in" external investment from other sources as a result of TAEF's activities in Tunisia to date? In your opinion, what are the prospects that this will happen over time?
12. In your opinion, to what extent are TAEF Board Members aware / informed of USG needs and priorities in Tunisia? What information is available? What is missing?
13. What are TAEF's plans and projections for self-sustainability? Are these plans and projections realistic? What structures are in place to reach these targets and how is this monitored by the Board?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**TAEF SENIOR MANAGEMENT**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

This evaluation is not an audit and does not seek to identify weaknesses other than in the spirit of drawing out lessons learned to inform future planning at TAEF as well as prospective replication of the enterprise fund model in other countries and regions going forward. The evaluation team recognizes that TAEF has been operating for a relatively short period of time and that it is too early to draw definitive conclusions on TAEF’s achievements, success, or impact. As a result, the focus of this evaluation is on whether the appropriate processes, systems, strategies and governance structures have been established that will support future success and impact. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>21</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

<b>Name:</b>	
<b>Gender</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Date:</b>	
<b>Position:</b>	
<b>Employment Period:</b>	
<b>Current location and contact information:</b>	E-mail: Telephone number:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

<sup>21</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



### Introductory Questions

1. Please describe your role and responsibilities at TAEF and/or TASME.
2. How does your expertise and experience enable you to successfully perform your job?
3. What would help you to better perform your job?

### **EQ1. Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

1. How does your position interact and relate with the Board of Directors (board)?
2. In your opinion, how effective is the current structure of the board in providing strong corporate governance and oversight to TAEF? For example, consider composition, committees, Director selection processes, term limits, succession policies, compensation or other incentives. In your opinion, how could this be strengthened to improve the functioning of the Board?
3. Are there any issues related to board appointments or departures that negatively impact governance and performance?
4. In your opinion, to what extent does the Board demonstrate commitment to implementing corporate governance policies and practices, according to accepted international standards?
5. How often does the Board meet? What is your role in Board meetings?
6. What is the Board's role in developing and overseeing TAEF's investment strategy? Do you think their level of involvement is adequate?
7. How does the Board oversee TAEF's management and performance? Is this level of engagement adequate to ensure oversight?
8. What is the Board's role in the investment review and approval process? In your opinion, is the Board's role adequate to ensure financially sound investment decisions that align with strategy? How could the Board's role in investment approval be strengthened?
9. How do you report to the Board on the investment portfolio and individual investments and TAEF's overall financial performance? In your opinion are these systems adequate?
10. How responsive is the Board in decision-making? How often are there delays in decision-making and how has it impacted operations/performance?
11. How responsive is TAEF to Board guidance? Please provide examples.
12. Overall, do you have any recommendations for improving the performance of the Board?
13. What is your role in risk management and internal controls?



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14. In your opinion, are TAEF's/TASME's risk management and internal controls sufficient to ensure the sound stewardship of the Fund's assets and compliance with relevant regulations? Please provide one or two examples. In what documents are internal control and risk management policies described? Can the evaluation team have access to them?
15. In your opinion, do TAEF's financial and qualitative disclosures provide a relevant, accurate and timely representation of its economic transactions and allocation of resources? Provide one or two examples.
16. Have there been any external audit findings pointing to deficiencies in TAEF's internal controls or financial or operations management functions? If yes, how has Sr. Management addressed these findings? Can the evaluation team have access to relevant communication?
17. Please characterize TAEF's relationship with USAID and USG (in particular the U.S. Embassy in Tunis and the Middle East Bureau). How is oversight of TAEF exercised by USAID? How could this oversight be improved?
18. Do you think the grant agreement provides enough clarity on USAID's expectations in terms of private sector development and financial returns?

**EQ2. Operations: How has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?**

## **Financial Management**

1. Who oversees financial operations at TAEF? In your opinion are the skills and experience of finance personnel appropriate for ensuring sound financial management?
2. What is your role in financial management?
3. How often do you receive financial statements (balance sheet, profit and loss, cash flow) and portfolio reports? Do you believe that financial reporting (content, accuracy and timeliness) is adequate for the effective management of TAEF? How could financial reporting be improved?
4. Are you aware of any fraud that has taken place? What systems and policies are in place to prevent it? Could these be improved?
5. How could the overall financial management function at TAEF be improved?
6. Has TAEF experienced any issues with tax authorities in any of the jurisdictions that it is registered? Please describe? Could tax reporting/compliance be improved?

## **Human Resources**

7. Who oversees Human Resources (HR) at TAEF? What is your role in the HR process?
8. Do you have a written HR manual?
9. In your opinion are HR policies and procedures adequate? If not, how could they be improved?



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10. How are decisions regarding staff compensation made? Do you have a written compensation, bonus and severance policy? Do staff members have access to them?
11. Are incentive compensation plans approved and if so on what basis? Please describe.
12. Are there approved policies on ethics and conflict of interest, and how are such policies monitored and addressed? Can the evaluation team have access to relevant policies?
13. Have there been any ethics violations or conflicts of interest? How were these addressed? Do you have any concerns in this area?
14. Please provide an overview of TAEF's organizational structure and staffing plan. In your opinion, is it adequate for the effective management of TAEF and its ability to meet its goals? How could it be strengthened? Is there any expertise that is missing?
15. What percentage of the staff at TAEF are women? Does TAEF have any policies or practices in place to encourage diversity in the workplace?
16. Does TAEF's HR policy address sexual harassment? How would violations be addressed?
17. Do you provide training to staff? In what? How often? Do you have training and orientation materials that you can share with the evaluation team?
18. Are TAEF's private sector and financial objectives incorporated into employee's performance objectives?
19. Please describe the performance review process? Are TAEF's financial, investment and private sector development goals and objectives incorporated into employee's annual performances goals?
20. Is there a whistle blower policy in place? Please describe. Are staff aware of it? Can the evaluation team have access to it?

## **Legal/Regulatory**

21. Does TAEF have adequate legal counsel? Are there any pending legal claims?
22. What is TAEF's relationship like with the government of Tunisia and regulatory bodies? In your opinion are there any actions that could improve regulatory and legal compliance and government relations?
23. Does TAEF and its subsidiaries have appropriate business registration documents? Is it in good standing in all of its jurisdictions?
24. How are changes in the legal/regulatory and labor law monitored? Who is responsible for ensuring compliance?
25. Have you had any issues with meeting your grant agreement requirements to date? In your opinion does TAEF have adequate personnel and systems in place to meet grant reporting and compliance requirements?



### **Performance Monitoring**

26. Does TAEF have a Performance Monitoring Plan (PMP) in place and sufficient capacity to collect data and report quality findings? Is such reporting done on a regular basis?
27. How does Management define success for TAEF (financial and development)? What are TAEF's private sector and financial goals? What is the balance sought between financial performance and development impact? How is each measured and defined?
28. What considerations were used in the selection of private sector development indicators? (size, sectors, jobs, etc.)
29. How is gender incorporated as a performance indicator?
30. Are there systems in place to regularly review data? Please describe. If targets are not being achieved, how are performance issues addressed? Please provide examples.

**EQ3: Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. How would you characterize your staff's knowledge and understanding of Tunisia's private sector and its financing needs, the country's finance and investment sector, and the business enabling environment?
2. Does/did TAEF undertake market research, feasibility studies, and competitiveness analyses? Please describe.
3. Is TAEF a member of any business or professional associations?
4. Has TAEF developed any strategic partnerships with NGOs, universities, USAID or other donor projects, government entities, etc. as part of its private sector outreach strategy? If so, please describe. How could partnerships be strengthened?
5. What is TAEF's and its subsidiaries and partners' strategy for engaging directly with Tunisian firms? How effective have these strategies been? Please describe strategy by size category:
  - a. Microenterprises
  - b. Small enterprises
  - c. Medium enterprise
  - d. Larger enterprises
6. Does TAEF have strategies for targeting specific sectors (agricultural, IT, tourism, etc.)? If so which sectors and how were they selected? Could these strategies be improved or developed?
7. Does TAEF have specific strategies of targeting women-owned enterprises? Youth-owned? Other disadvantaged groups? How could these strategies be improved or developed?
8. Which strategies to date have been the most effective and why? What are you plans to build on them?



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9. Which strategies have been less effective and why? Do you have plans to make changes?
10. Overall, what has been the demand for TAEF financing (by size/sector, gender)? Is this demand lower or higher than expected? If lower, is there something that TAEF could be doing differently?
11. How do Tunisian firms perceive TAEF and its subsidiaries? To what extent are TAEF and its subsidiaries known in the local business and official communities, and how would you characterize TAEF's reputation? How is TAEF perceived by the general public? Is there anything that TAEF could be doing differently to improve its reputation among different audiences?
12. Has TAEF launched technical assistance or training for businesses receiving capital? If so please describe. Has it been effective? How do you measure success? How could it be improved? Can the evaluation team have access to training materials?
13. In your opinion, are TAEF's approaches for engaging Tunisian firms adequate to enable it to meet its investment strategy and Grant agreement goals?

**EQ4: Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. Please provide an overview of the economic situation in Tunisia and the level of private sector development. What are the financing needs of the private sector in Tunisia? How developed is the financial sector and where are the gaps and market opportunities?
2. What is TAEF's overarching investment strategy? How does the strategy address financing needs, and market gaps and opportunities? In your opinion how could TAEF's investment strategy be strengthened to better meet the financing needs of the private sector?
3. Is TAEF's investment strategy written? Is it publicly available? If so, where? To what extent do the grant agreement and/or evolving private sector needs in Tunisia shape TAEF's strategy? Please provide one or two examples and exceptions, as relevant.
4. How closely do TAEF's operations align to the established strategy and investment priorities? How and using what criteria does TAEF establish its investment priorities? Are those investment priorities changing over time? If so, why? Please provide one or two examples and exceptions, as relevant.
5. What is your role in developing and overseeing TAEF's strategy and in overseeing TAEF's management and performance on a regular basis? How do you incorporate the input of your staff and the board in this process?
6. Please describe TAEF's investment/financing products, vehicles/financial intermediaries. Are these products competitive to what is available on the market? Could they be adjusted to be more competitive?
7. Are there financial products that TAEF or its partners are not offering and should be to better meet the needs of the private sector in Tunisia?



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8. Please describe the overall application process by product type. On average how long does the application process take? Do businesses have difficulties meeting application requirements? Please describe. How could the application and the application process be improved? Can the evaluation team have a copy of the application(s) and supporting documents?
9. Do businesses have difficulty meeting any of the financing requirements (i.e. collateral, financial statements, etc)? Do any of the financing requirements negatively impact certain types of businesses' (i.e. size, location, gender, sector, etc) ability to qualify for financing? Please explain. Do you have any recommendations for adjusting terms/financing requirements without significantly increasing risk? Or adding new products that would address risks and expand financing?
10. Please describe the due diligence and underwriting process. How long does this usually take? Who is involved? What are the qualifications of the staff that is involved? Can the evaluation team have access to any documents involved in the due diligence process (site visit check lists, etc). How could this process be strengthened?
11. Please describe the investment review and approval process. What is your role in the investment review and approval process? What are the policies and criteria for evaluating and approving investments and for approving the creation of new entities to be wholly owned by TAEF? Can the evaluation team have access to these policies? In your opinion, do you receive adequate information to make an informed investment decision? How could the investment approval process be improved?
12. Do investment criteria and due diligence processes consider issues, such as worker's rights and human rights, gender, environmental factors, US or Tunisian economic/employment effects and the likelihood of commercial viability? Are there systems in place to monitor these issues post investment?
13. Please describe investment disbursement systems and practices. Does TAEF have any practices/systems in place to ensure funds are used as intended? Please describe.
14. Please describe the investment monitoring process. Who is involved and what are their qualifications? Can the evaluation team have access to any documents used in investment monitoring? Do you have investees scored based on risk? What kind of scoring system do you use? Based on what criteria? What percentage of your portfolio is in the least risk category? The most risky category?
15. What systems and processes are in place to address lack of performance? Please provide examples.
16. What are the systems in place for monitoring investment returns, administrative expenses/operating costs?
17. What is your role in monitoring the overall investment portfolio and individual investments?
18. In your opinion, are investment monitoring systems, policies and procedures adequate?
19. Please describe any analytical, business intelligence and decision making "infrastructure" TAEF uses to make investment decisions.



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20. How will, TAEF investments lead to enhanced private sector development?
21. In your opinion, is TAEF positioned to achieve the development objectives as stated in its Grant Agreement? Please provide examples?
22. Has TAEF pioneered the development and delivery of new services or products on the Tunisian market?
23. How has TAEF learned from its early investments? Has TAEF made any institutional or structural changes as a result? Are there any lessons that should be acted on?
24. Does TAEF have an adaptive management culture in place to learn from successes and failures? Please provide examples of how this learning culture is institutionalized.
25. What are some of the key business enabling environment or other external issues that impact TAEF, its financial intermediaries and investees?
26. To what extent has TAEF helped to identify and promote policies and practices needed to encourage and facilitate private investment? Please explain. Are there systems, structures and government/private sector networks in place to help TAEF do this? In your opinion, is there anything that TAEF might be doing better or differently to improve its ability to support private sector development and reforms in Tunisia?
27. To what extent has TAEF disseminated commercial best practices to date? Are there plans, strategies and communications capacity to do this over time?
28. Have there been any examples of “crowding-in” external investment from other sources as a result of TAEF’s activities in Tunisia to date? In your opinion, what are the prospects that this will happen over time?
29. Are you aware of USG needs and priorities in Tunisia? How do you keep yourself up to date with these? Do you think that TAEF strategy is aligned with USG/USAID priorities broadly? With Government of Tunisia priorities?
30. What are TAEF’s plans and projections for self-sustainability? Are these plans and projections realistic? What structures are in place to reach these targets and how do you monitor it?

### **Lessons for Replication**

- I. Based on TAEF’s early implementation experience to date, do you have recommendations for USAID on the use of the enterprise fund model in other countries at a similar level of development?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**TAEF INVESTMENT MANAGERS**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

This evaluation is not an audit and does not seek to identify weaknesses other than in the spirit of drawing out lessons learned to inform future planning at TAEF as well as prospective replication of the enterprise fund model in other countries and regions going forward. The evaluation team recognizes that TAEF has been operating for a relatively short period of time and that it is too early to draw definitive conclusions on TAEF’s achievements, success, or impact. As a result, the focus of this evaluation is on whether the appropriate processes, systems, strategies and governance structures have been established that will support future success and impact. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>22</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**  
**Date:**

<b>RESPONDENT INFORMATION:</b>	
<b>Name:</b>	
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Date:</b>	
<b>Position:</b>	
<b>Employment Period:</b>	
<b>Current location and contact information</b>	E-mail: Telephone number:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

<sup>22</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



### Introductory Questions

1. Please describe your role and responsibilities at TAEF and/or TASME.
2. How does your expertise and experience enable you to successfully perform your job?
3. What would help you to better perform your job?

### **EQ1. Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

1. How does your position interact and relate with the Board of Directors (board)?
2. In your opinion, how effective is the current structure of the board in providing strong corporate governance and oversight to TAEF? In your opinion, how could this be strengthened to improve the functioning of the Board?
3. In your opinion, to what extent does the Board demonstrate commitment to implementing corporate governance policies and practices, according to accepted international standards?
4. What is the Board's role in developing and overseeing TAEF's investment strategy? Do you think their level of involvement is adequate?
5. How does the Board oversee TAEF's management and performance? Is this level of engagement adequate to ensure oversight?
6. What is the Board's role in the investment review and approval process? In your opinion, is the Board's role adequate to ensure financially sound investment decisions that align with strategy? How could the Board's role in investment approval be strengthened?
7. How do you report to the Board on the investment portfolio and individual investments and TAEF's overall financial performance? In your opinion are these systems adequate?
8. How responsive is the Board in decision-making? How often are there delays in decision-making and how has it impacted operations/performance?
9. How responsive is TAEF to Board guidance? Please provide examples.
10. What measures could be taken to improve the investment review and approval process?

### **EQ2. Operations: How has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?**

1. Overall do you think that TAEF has established appropriate and effective operational structures? What are the strengths and weakness? What could be improved?

### **Financial Management**



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2. How strong are TAEF's financial management systems, processes and procedures? How can they be improved?
3. Are you aware of any fraud that has taken place? What systems and policies are in place to prevent it? Could these be improved?
4. How could the overall financial management function at TAEF be improved?

## Human Resources

5. Did you receive an HR manual, ethics policy, conflict of interest policy, compensation/bonus policy and whistle blower policy?
6. In your opinion are HR policies and procedures adequate? If not, how could they be improved?
7. Please describe the performance review process? Are TAEF's financial, investment and private sector development goals and objectives incorporated into your own annual performances goals?
8. Do you receive compensation based on the performance of investments or the financial performance of TAEF?
9. Are there approved policies on ethics and conflict of interest, and how are such policies monitored and addressed? Can the evaluation team have access to relevant policies?
10. Do you have any concerns about ethics or conflicts of interest? If you did, who would you report it to? Do you think that TAEF has established a culture that would be supportive, if you reported any concerns?
11. Do you think that TAEF's organizational structure and staffing plan are adequate for the effective management of TAEF and its ability to meet its goals? How could it be strengthened? Is there any expertise that is missing?
12. For women staff members: Does the TAEF workplace encourage women's professional development? How could it be improved?
13. Does TAEF have a policy on sexual harassment? If it occurred how would it be addressed?
14. Do TAEF provide staff with training? On what topics? Could this be improved to help you be more effective in your job?
15. Are TAEF's private sector and financial objectives incorporated into employee's performance objectives?
16. Is there a whistle blower policy in place? Please describe. Are staff aware of it? Can the evaluation team have access to it?

## Legal/Regulatory

17. What is TAEF's relationship like with the government of Tunisia and regulatory bodies? In your opinion are there any actions that could improve regulatory and legal compliance and government relations?



18. Do you have access to legal services to support investment review and structuring? Please describe.

### **Performance Monitoring**

19. Does TAEF have a Performance Monitoring Plan (PMP) in place?

20. How does TAEF define success for TAEF (financial returns and development impact)? What are TAEF's private sector and financial goals? What is the balance sought between financial performance and development impact? How is each measured and defined?

21. Are there systems in place to regularly review data? Please describe. If targets are not being achieved, how are performance issues addressed? Please provide examples.

### **EQ3: Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. How would you characterize your own and your colleague's knowledge and understanding of Tunisia's private sector and its financing needs, the country's finance and investment sector, and the business enabling environment?
2. Does/did TAEF undertake market research, feasibility studies, and competitiveness analyses? Please describe.
3. Is TAEF a member of any business or professional associations?
4. Has TAEF developed any strategic partnerships with NGOs, universities, USAID or other donor projects, government entities, etc. as part of its private sector outreach strategy? If so, please describe. How could partnerships be strengthened?
5. What is TAEF's and its subsidiaries and partners' strategy for engaging directly with Tunisian firms? How effective have these strategies been? Please describe strategy by size category:
  - a. Microenterprises
  - b. Small enterprises
  - c. Medium enterprise
  - d. Larger enterprises
6. Does TAEF have strategies for targeting specific sectors (agricultural, IT, tourism, etc.)? If so which sectors and how were they selected? Could these strategies be improved or developed?
7. Does TAEF have specific strategies of targeting women-owned enterprises? Youth-owned? Other disadvantaged groups? How could these strategies be improved or developed?
8. Which strategies to date have been the most effective and why? What are you plans to build on them?
9. Which strategies have been less effective and why? Do you have plans to make changes?



10. Overall, what has been the demand for TAEF financing (by size/sector, gender)? Is this demand lower or higher than expected? If lower, is there something that TAEF could be doing differently?
11. How do Tunisian firms perceive TAEF and its subsidiaries? To what extent are TAEF and its subsidiaries known in the local business and official communities, and how would you characterize TAEF's reputation? How is TAEF perceived by the general public? Is there anything that TAEF could be doing differently to improve its reputation among different audiences?
12. Has TAEF launched technical assistance or training for businesses receiving capital? If so please describe. Has it been effective? How do you measure success? How could it be improved? Can the evaluation team have access to training materials?
13. In your opinion, are TAEF's approaches for engaging Tunisian firms adequate to enable it to meet its investment strategy and Grant agreement goals?

**EQ4: Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. Please provide an overview of the economic situation in Tunisia and the level of private sector development. What are the financing needs of the private sector in Tunisia? How developed is the financial sector and where are the gaps and market opportunities?
2. What is TAEF's overarching investment strategy? How does the strategy address financing needs, and market gaps and opportunities? In your opinion how could TAEF's investment strategy be strengthened to better meet the financing needs of the private sector?
3. Is TAEF's investment strategy written? Is it publicly available? If so, where? To what extent do the grant agreement and/or evolving private sector needs in Tunisia shape TAEF's strategy? Please provide one or two examples and exceptions, as relevant.
4. How closely do TAEF's operations align to the established strategy and investment priorities? How and using what criteria does TAEF establish its investment priorities? Are those investment priorities changing over time? If so, why? Please provide one or two examples and exceptions, as relevant.
5. Do you have any input into the development of TAEF's investment strategy and in overseeing TAEF's management and performance on a regular basis?
6. Please describe TAEF's investment/financing products, vehicles/financial intermediaries. Are these products competitive to what is available on the market? Could they be adjusted to be more competitive?
7. Are there financial products that TAEF or its partners are not offering and should be to better meet the needs of the private sector in Tunisia?
8. Please describe the overall application process by product type. On average how long does the application process take? Do businesses have difficulties meeting application requirements? Please



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describe. How could the application and the application process be improved? Can the evaluation team have a copy of the application(s) and supporting documents?

9. Do businesses have difficulty meeting any of the financing requirements (i.e. collateral, financial statements, etc)? Do any of the financing requirements negatively impact certain types of businesses' (i.e. size, location, gender, sector, etc) ability to qualify for financing? Please explain. Do you have any recommendations for adjusting terms/financing requirements without significantly increasing risk? Or adding new products that would address risks and expand financing?
10. Please describe the due diligence and underwriting process. How long does this usually take? Who is involved? What are the qualifications of the staff that is involved? Can the evaluation team have access to any documents involved in the due diligence process (site visit check lists, etc). How could this process be strengthened?
11. Please describe the investment review and approval process. What is your role in the investment review and approval process? What are the policies and criteria for evaluating and approving investments and for approving the creation of new entities to be wholly owned by TAEF? Can the evaluation team have access to these policies? In your opinion, do you provide the approval committee with adequate information to make informed investment decisions? How could the investment review and approval process be improved?
12. Do investment criteria and due diligence processes consider issues, such as worker's rights and human rights, gender, environmental factors, US or Tunisian economic/employment effects and the likelihood of commercial viability? Are there systems in place to monitor these issues post investment?
13. Please describe investment disbursement systems and practices. Does TAEF have any practices/systems in place to ensure funds are used as intended? Please describe.
14. Please describe the investment monitoring process. Who is involved and what are their qualifications? Can the evaluation team have access to any documents used in investment monitoring? Do you have investees scored based on risk? What kind of scoring system do you use? Based on what criteria? What percentage of your portfolio is in the least risk category? The most risky category?
15. What systems and processes are in place to address lack of performance? Please provide examples.
16. What are the systems in place for monitoring investment returns, administrative expenses/operating costs?
17. What is your role in monitoring the overall investment portfolio and individual investments?
18. In your opinion, are investment monitoring systems, policies and procedures adequate?
19. Please describe any analytical, business intelligence and decision making "infrastructure" TAEF uses to make investment decisions.



20. How will, TAEF investments lead to enhanced private sector development?
21. In your opinion, is TAEF positioned to achieve the development objectives as stated in its Grant Agreement? Please provide examples.
22. Has TAEF pioneered the development and delivery of new services or products on the Tunisian market?
23. How has TAEF learned from its early investments? Has TAEF made any institutional or structural changes as a result? Are there any lessons that should be acted on?
24. Does TAEF have an adaptive management culture in place to learn from successes and failures? Please provide examples of how this learning culture is institutionalized.
25. What are some of the key business enabling environment or other external issues that impact TAEF, its financial intermediaries and investees?
26. To what extent has TAEF helped to identify and promote policies and practices needed to encourage and facilitate private investment? Please explain. Are there systems, structures and government/private sector networks in place to help TAEF do this? In your opinion, is there anything that TAEF might be doing better or differently to improve its ability to support private sector development and reforms in Tunisia?
27. To what extent has TAEF disseminated commercial best practices to date? Are there plans, strategies and communications capacity to do this over time?
28. Have there been any examples of “crowding-in” external investment from other sources as a result of TAEF’s activities in Tunisia to date? In your opinion, what are the prospects that this will happen over time?
29. Are you aware of USG needs and priorities in Tunisia? Do you think that TAEF strategy is aligned with USG/USAID priorities broadly? With Government of Tunisia priorities?
30. What are TAEF’s plans and projections for self-sustainability? Are these plans and projections realistic? What structures are in place to reach these targets and how do you monitor it?

### **Lessons for Replication**

- I. Based on TAEF’s early implementation experience to date, do you have recommendations for USAID on the use of the enterprise fund model in other countries at a similar level of development?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**TAEF ACCOUNTANT AND FINANCIAL CONTROLLER**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>23</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

<b>Name:</b>	
<b>Date:</b>	
<b>Gender</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Position:</b>	
<b>Employment Period:</b>	
<b>Current location and contact information:</b>	E-mail: Telephone number
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Introductory Questions**

1. Please describe your role and responsibilities at TAEF and/or TASME.
2. How does your expertise and experience enable you to successfully perform your job?
3. What would help you to better perform your job?

<sup>23</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



**EQ1. Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

1. How does your position interact and relate with the Board of Directors (board)?
2. How does the Board oversee TAEF's management and performance? Is this level of engagement adequate to ensure oversight?
3. What is the Board's role in the investment review and approval process? In your opinion, is the Board's role adequate to ensure financially sound investment decisions that align with strategy? How could the Board's role in investment approval be strengthened?
4. How do you report to the Board on the investment portfolio and individual investments and TAEF's overall financial performance? In your opinion are these systems and reports adequate?
5. What is your role in risk management and internal controls?
6. In your opinion, are TAEF's/TASME's risk management and internal controls sufficient to ensure the sound stewardship of the Fund's assets and compliance with relevant regulations? Please provide one or two examples. In what documents are internal control and risk management policies described? Can the evaluation team have access to them?
7. In your opinion, do TAEF's financial and qualitative disclosures provide a relevant, accurate and timely representation of its economic transactions and allocation of resources? Provide one or two examples.
8. Have there been any external audit findings pointing to deficiencies in TAEF's internal controls or financial or operations management functions? If yes, how has Sr. Management addressed these findings? Can the evaluation team have access to relevant communication?
9. Do you think the grant agreement provides enough clarity on USAID's expectations in terms of private sector development and financial returns?

**EQ2. Operations: How has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?**

1. Who oversees financial operations at TAEF? What support would you seek to improve your / TAEF's finance personnel's skills and experience to ensure sound financial management?
2. What is your role in financial management?
3. How often do you prepare financial statements (balance sheet, profit and loss, cash flow) and portfolio reports? Do you believe that financial reporting (content, accuracy and timeliness) is adequate for the effective management of TAEF? How could financial reporting be improved?
4. What accounting software do you use?



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5. How actively involved is senior management in overseeing financial management?
6. Are you aware of any fraud that has taken place? What systems and policies are in place to prevent it? How could these be improved?
7. How could the overall financial management function at TAEF be improved?
8. Has TAEF experienced any issues with tax authorities in any of the jurisdictions that it is registered? Please describe. Could tax reporting/compliance be improved?
9. Please clarify the reason(s) for TASME's incorporation in Mauritius.
10. How are changes in Tunisia's legal and regulatory framework covering financial reporting monitored? Who is responsible for ensuring compliance?
11. Have you had any issues with meeting your grant agreement requirements to date? In your opinion, does TAEF have adequate personnel and systems in place to meet grant reporting and compliance requirements?
12. Are there systems in place to regularly review data? Please describe. If targets are not being achieved, how are performance issues addressed? Please provide examples.
13. Please describe investment disbursement systems and practices. Does TAEF have any practices/systems in place to ensure funds are used as intended? Please describe.

**EQ4: Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. What is TAEF's overarching investment strategy? How does the strategy address financing needs, and market gaps and opportunities? In your opinion, how could TAEF's investment strategy be strengthened to better meet the financing needs of the private sector?
2. Is TAEF's investment strategy written? Is it publicly available? If so, where? To what extent do the grant agreement and/or evolving private sector needs in Tunisia shape TAEF's strategy? Please provide one or two examples and exceptions, as relevant.



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**TAEF PUBLIC RELATIONS AND COMMUNICATIONS MANAGER**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>24</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

<b>Name:</b>	
<b>Date:</b>	
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Position:</b>	
<b>Employment Period:</b>	
<b>Current location and contact information:</b>	E-mail: Telephone number:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Introductory Questions**

1. Please describe your role and responsibilities at TAEF and/or TASME.
2. How does your expertise and experience enable you to successfully perform your job?
3. What would help you to better perform your job?

<sup>24</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



**EQ1. Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

1. How does your position interact and relate with the Board of Directors (board)?
2. How responsive is the Board in decision-making? How often are there delays in decision-making and how has it impacted operations/performance?
3. How responsive is TAEF to Board guidance? Please provide examples.
4. Overall, do you have any recommendations for improving the performance of the Board?
5. Please characterize TAEF's relationship with USAID and USG (in particular the U.S. Embassy in Tunis and the Middle East Bureau). How is oversight of TAEF exercised by USAID? How could this oversight be improved?
6. Do you think the grant agreement provides enough clarity on USAID's expectations in terms of private sector development and financial returns?

**EQ3: Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. Does TAEF have a communications/marketing strategy for engaging the private sector? If so what is it? How can it be improved?
2. Is this strategy targeted to different sectors, different size firms (micro, small, medium and large), women-owned, etc? Please describe.
3. How do Tunisian firms perceive TAEF and its subsidiaries? To what extent are TAEF and its subsidiaries known in the local business and official communities, and how would you characterize TAEF's reputation? How is TAEF perceived by the general public? Is there anything that TAEF could be doing differently to improve its reputation and visibility among different audiences?

**EQ4: Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. What is TAEF's overarching investment strategy? Is TAEF's investment strategy written? Is it publicly available? If so, where?
2. How do you communicate about TAEF's different financing products?
3. How has TAEF learned from its early investments? Has TAEF made any institutional or structural changes as a result? Are there any lessons that should be acted on?
4. Does TAEF have an adaptive management culture in place to learn from successes and failures? Please provide examples of how this learning culture is institutionalized.



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5. To what extent has TAEF disseminated commercial best practices to date? Are there plans, strategies and communications capacity to do this over time?
6. To what extent has TAEF helped to identify and promote policies and practices needed to encourage and facilitate private investment? Are there systems, structures, and government/private sector networks in place to help TAEF do this? In your opinion, is there anything that TAEF might be doing better or differently to improve its ability to support private sector development and reforms in Tunisia.

### **Lessons for Replication**

- I. Based on TAEF's early implementation experience to date, do you have recommendations for USAID on the use of the enterprise fund model in other countries at a similar level of development?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**INFORMANT INTERVIEW GUIDE,**  
**USAID WASHINGTON STAKEHOLDERS**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund's (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia's private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>25</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

**Name:**

**Position:**

**Gender:**

Male  Female

**Contact Information:**

E-mail:

Telephone number:

Assistant's name and contact information:

**INTRODUCTORY QUESTIONS:**

1. In what capacity and how regularly do you follow the work of TAEF? What is your prior experience in working with investment funds/financial sector development?
2. Were you involved in the discussions that informed the design of TAEF? If yes, please describe briefly these discussions. What was the rationale in support of the use of the enterprise fund model in Tunisia instead of a typical project design? What research and assumptions were used to define the initial objectives of TAEF as stated in the Grant Agreement?
3. Do you consider that the TAEF model is appropriate to the context and needs of Tunisia? We use the term 'model' to include structure, operations, governance, staffing, and general management.
4. Based on TAEF's early implementation experience to date, do you have recommendations on the use of enterprise fund model in other countries with advanced financial systems?

**EQ1. Governance: Has TAEF established appropriate and effective governance structures? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?**

<sup>25</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



1. How does USAID exercise oversight over TAEF? What is the frequency of monitoring, reporting, etc.? How responsive is TAEF's board and management to USAID oversight?
2. How has USAID oversight evolved since inception?
3. Does USAID have adequate access to information, staff expertise, and management arrangements in place in Washington, D.C. and in the field to effectively exercise its oversight role?
4. Do you feel comfortable that TAEF's PMP indicators provide you with adequate information to monitor fund performance and identify performance risks?
5. In your opinion, how effective is TAEF's Board of Directors in providing guidance, direction, and oversight to the operations of TAEF and the operations of the enterprises in which TAEF is invested?
6. Do you believe the TAEF board has the right mix of experience and expertise to govern TAEF?
7. In your opinion does TAEF have adequate corporate governance policies and procedures in place? How can these be strengthened?
8. How successful has TAEF been in meeting its grant agreement requirements to date? In your opinion, does TAEF have adequate personnel and systems in place to meet grant reporting and compliance requirements?
9. In your opinion how can USAID oversight of TAEF be strengthened?

**EQ2. Operations: How has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?**

1. Do TAEF staff have an appropriate knowledge of SME development, finance and the Tunisian market?
2. Do you have any concerns about TAEF's board or staff?
3. Based on your experience and observations of TAEF, is TAEF's organizational structure, staffing plan and policies and procedures adequate for the effective management of TAEF and its ability to meet its goals? How could it be strengthened?

**EQ3. Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. Based on your experience and observations of TAEF, what strategies does it use to engage the Tunisian private sector? Do you think these are adequate? To your knowledge does TAEF have a strategy to engage women-owned businesses and businesses located outside of Tunis? How could TAEF's private sector engagement be strengthened?



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2. Has TAEF launched technical assistance or training for businesses receiving capital? If so how effective do you think this has been? How could it be improved?
3. To your knowledge, has TAEF done anything yet to help identify and promote policies and practices that encourage private sector investment and disseminate commercial best practices? How effective has it been in this area? How could it improve its efforts in this area?
4. In your opinion, how well is TAEF measuring, documenting, and reporting on its overall impact on private sector development, policies that encourage and facilitate private sector investment, and its ability to “crowd-in” other investors? Please give some examples.
5. What are other stakeholders’ perceptions of TAEF’s activities? Does USAID engage with third party stakeholders, including TAEF’s clients, to get their feedback?

**EQ4. Investment Strategy: Is TAEF’s investment strategy and approach tailored to the needs of Tunisian firms?**

1. Based on your experience and observations of TAEF, what criteria does TAEF use to make investment decisions?
2. Does TAEF have a written investment strategy, and if so, has it been shared with USAID? Do you think TAEF’s investments to date have been aligned with this strategy?
3. Against what goals and benchmarks are TAEF portfolio's performance measured?
4. How does USAID measure, analyze, and report on the performance of TAEF investments?
5. In your opinion, is TAEF positioned to achieve the development objectives as stated in its Grant Agreement? For example, do TAEF executives, Board of Directors, and investment managers find the right balance between generating financial returns and ensuring development impact in Tunisia?
6. How and how frequently does TAEF take stock of the changing economic and regulatory circumstances in Tunisia? How does TAEF adapt and evolve accordingly?
7. Are you aware of any TAEF efforts to pioneer the development and delivery of new services or products? Does TAEF document and report to USAID on the introduction and adoption of new services or products?
8. Have you been informed of any TAEF investments that have not gone as planned? Did the reporting include factors that may have explained the negative impact on TAEF’s investment performance? Please give specific examples.
9. In contrast, please describe some of the success stories reported by TAEF to USAID. What do you think are the prospects for TAEF impacting private sector development?
10. Has TAEF demonstrated that it has established an adaptive management culture where it learns from its successes and failures, making the necessary changes in staffing, policies, strategy, etc.?



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11. Are you aware of any changes to the financial sector in Tunisia as a result of TAEF's presence? Have you seen any evidence of "crowding-in" of external investors?
12. Has TAEF shared its plan and projections for achieving self-sustainability? If so, in your opinion are these plans and projections realistic? Is USAID monitoring this?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**FINANCIAL INTERMEDIARIES AND CO-INVESTEEES**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund's (TAEF) grant agreement. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>26</sup> Your responses will help inform recommendations to USAID and TAEF to support its important work in financing private sector development in Tunisia.

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

<b>Name:</b>	
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Date</b>	
<b>Position:</b>	
<b>Company:</b>	
<b>Location:</b>	
<b>Current location and contact information</b>	E-mail: Telephone number:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Introductory Questions**

1. Please describe and give a brief history your company, its goals in Tunisia, particularly as they relate to promoting SME development and job creation.
2. What are the range of financial products that you provide to Tunisian enterprises?

<sup>26</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



3. Do you work across a range of SMEs by size, sector and geographical location, i.e., coast vs. interior? Do you segment the market?
4. How do you define SMEs? How do you define micro-enterprises?
5. Do you provide technical assistance to client firms or just financial products? Do you partner with any organizations (local, foreign, donor-funded) to provide TA to clients?
6. More broadly, could you provide a brief overview of the Tunisian economy, private sector development and the difficulty for SMEs to operate, expand and thrive? What are the strengths and weaknesses of the SME sector? What are currently the biggest problems/challenges facing SMEs? What are SME's financing needs? In your view is financing the most important constraint? Other constraints?

**EQ3: Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. Please describe the details of your partnership with TAEF. What size SMEs/sectors is your partnership targeting? Please provide data on number and value of financing disbursed to date broken down by SME type, gender and location if possible.
2. What is your strategy for engaging and marketing to the private sector? How effective has it been? Could it be improved?
3. Have you encountered specific obstacles to financing women-owned enterprises? If so, what can be done to address them?
4. What is your experience of working with TAEF, comparing it with other financial partners with whom you work? How often are you in contact with them, formally and informally? What do they require from you on a monthly/quarterly basis?
5. Are there any significant problems in your partnership with TAEF? Have there been in the past?
6. How would you characterize TAEF's knowledge and understanding of Tunisia's MSMEs, their financing and other related business needs?
7. Do you have any recommendations for how TAEF could improve its engagement and outreach with the private sector?
8. What kind of reputation does TAEF have in the Tunisian business community? Do you think they are well known outside of Greater Tunis and the Coast? How could outreach be improved?

**EQ4: Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. How familiar are you with TAEF's investment structure and operating strategy? Are they conducive to achieving impact on private sector development in Tunisia, while providing for financial returns?



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2. How well aligned is your partnership with this strategy and meeting the financing needs of the private sector in Tunisia?
3. Are you aware of other platforms/programs that TAEF has in Tunisia? In your view, are they tailored to the most important financial needs of MSMEs?
4. In your view, does TAEF provide something different than other financial institutions/funds in Tunisia? What is TAEF's advantage?
5. Do you have recommendations for how TAEF could better tailor its financial offerings to meet the needs of the private sector?
6. Please describe the potential for impact that your partnership with TAEF can have on private sector development in Tunisia.
7. What role can TAEF play in identifying and promoting policies and practices needed to encourage private investment and address challenges in the business enabling environment? How could they most effectively play this role?
8. Has TAEF attracted external investment to the Tunisian market? Do you think they have a role to play in attracting external investment?
9. Do you think TAEF is a market leader? Do they have a role to play in disseminating commercial best practices? Please explain.



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**TAEF INVESTEES/CLIENTS**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>27</sup> Your responses will help inform recommendations to USAID and TAEF to support its important work in financing private sector development in Tunisia.

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**  
**Date:**

**RESPONDENT INFORMATION:**

**Name:**  
**Date:**  
**Gender:**  Male  Female  
**Age:**  
**Position:**  
**Do you agree to have your name included as a key informant in the final evaluation report?**  Yes  No

**BUSINESS INFORMATION:**

**Company Name:**  
**Location:**  
**Sector:**  
**No. of FT Employees:**  
**No. of PT Employees:**  
**Annual Revenue:**  
**Value of TAEF\***  
**Financing:**  
**Date Financing Received**  
\*Includes financing from TAEF/TASME or a financial intermediary

**EQ3: Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. Describe your business and primary reasons for requesting financing?
2. Did you receive financing directly from TAEF/TASME or a financial intermediary? If from a financial intermediary, which financial institution?

<sup>27</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



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3. What type of financing/support is TAEF/TASME/Financial intermediary providing to your company or institution? What are the terms?
4. In what ways has the financial support affected your business to date, e.g., purchase new equipment, hire new workers, and engage new markets?
5. How did you hear about TAEF/TASME? What do you think about their strategies for engaging Tunisian businesses? How could they increase their outreach to Tunisian businesses?
6. Are you an active member of any business or professional associations? Is TAEF/TASME well known in the Tunisian business community? What kind of reputation does TAEF/TASME have?
7. Why did you decide to approach TAEF/TASME/Financial intermediary for financing/services? Did you approach other financial institutions/banks, public or private, or government programs, e.g., BFPME, before coming to TAEF?
8. If you participated in a technical assistance program organized by TAEF, what was your impression of the quality and effectiveness of the program? Were you able to use the training in your daily work? Please give some examples.
9. Have you received or benefitted from Tunisian Government SME technical assistance programs, or other donor provided technical assistance.

**EQ4: Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. Do you believe the current legal and regulatory environment for the private sector in Tunisia is conducive to investment? What changes by government would you recommend to create a more favorable environment? In your opinion, is TAEF in a position to advocate for these changes?
2. Overall, how would you characterize TAEF's knowledge and understanding of Tunisia's private sector and its financing needs, the country's finance and investment sector, and the business environment?
3. In your opinion, are the investment/services/products and terms offered by TAEF/TASME appropriate for your business's financing/technical needs? How could they be improved to better meet your financing needs?
4. In your opinion, are the kinds of investments/services/products/terms offered by TAEF appropriate for the financing needs of Tunisian firms in general? If not what could be improved?
5. Are there financial products/terms offered by other financial institutions that TAEF/TASME is not offering and should be? If so please describe.
6. Please describe the application process to obtain your investment and how long did it take at each step? Do you have recommendations for improving the application process?
7. How does the financing that you received, compare to what you requested for in your application/business plan? If you did not get everything you asked for, why not?



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8. When the financing was disbursed, did TAEF ensure that investment proceeds were used according to your business plan/application (i.e. disbursed directly to supplier, conducted a site visit to examine new equipment, etc.)
9. How does TAEF/TASME/Financial Intermediary monitor its investment with you? How often do you report to TAEF/TASME/Financial Intermediary and/or receive personal visits from investment officers? Does TAEF require you to submit financial statements or data? If so what and how often?
10. If you received an equity investment, does a TAEF representative sit on your board of directors? If so, how you would rate this experience? Has it benefited your company, and if so how?
11. In your opinion, what other ways could TAEF be supporting and promoting private sector development in Tunisia?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**INTERNATIONAL STAKEHOLDERS**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy. Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>28</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

<b>Name:</b>	
<b>Date</b>	
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Current location and contact information:</b>	E-mail: Telephone number: Assistant’s name and contact information:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

**EQ3. Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

**EQ4. Investment Strategy: Is TAEF’s investment strategy and approach tailored to the needs of Tunisian firms?**

1. Does your organization work with TAEF? If yes, in what way does your organization work with TAEF? If no, how do you know about TAEF?
  
2. Are there any other initiatives or projects working to address the same priorities as TAEF? If yes, is TAEF able to coordinate with the sponsors and implementers of these initiatives or projects? Could you give some examples?

<sup>28</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



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3. How is TAEF perceived by (SMEs, the government, donors, other financial institutions, and the general public)?
4. What are the biggest risks you see for an entity like TAEF from both a development and financial perspective?
5. In your opinion, is TAEF playing a role in responding to priorities in Tunisia in terms of economic / private sector development? If yes, do you think that role is appropriate? Could you give some examples and evidence of TAEF contribution in that respect?
6. Is there anything that TAEF could do to improve its ability to its ability to support private sector development in Tunisia?
7. How effective has TAEF been in engaging the private sector? How could it be improved?
8. What impact if any has TAEF had on policies and practices that encourage private sector investment? Do you have thoughts on how an organization like TAEF is best able to influence the policies and practices that encourage private sector investment?

**Additional questions for stakeholders within the financial sector.**

1. What are the financing needs of Tunisian Firms? Is the current financial sector (including TAEF) meeting these needs? What is missing? How could TAEF better meet the financing needs of the Tunisian firms?
2. What are important sectors for the future of the Tunisian economy? Which financial institutions are best targeting these sectors? How could TAEF better target these sectors?
3. Is access to finance a problem for women business owners? Which financial institutions are best serving them? How could TAEF better meet the financing needs of women-owned businesses?
4. How has TAEF impacted the financial market in Tunisia? Have other financial institutions entered the market or offered new products or targeted new sectors as a result of TAEF?
5. What is TAEF' reputation in the market?



**TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION**  
**KEY INFORMANT INTERVIEW GUIDE,**  
**NATIONAL/LOCAL GOVERNMENT**

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund’s (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>29</sup>

Please state the following information for the record:

**INTERVIEWER INFORMATION:**

**Name:**

**Date:**

**RESPONDENT INFORMATION:**

<b>Name:</b>	
<b>Date:</b>	
<b>Position:</b>	
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Department:</b>	
<b>Current location and contact information:</b>	E-mail: Telephone number: Assistant’s name and contact information:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Introductory Questions**

1. In your opinion, are TAEF’s objectives aligned with national and sectoral priorities? Is TAEF’s strategy evolving over time to take stock of the economic situation / policy / regulatory reforms in Tunisia?
2. Overall how is TAEF perceived by your institution and within Tunisia?

<sup>29</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



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3. Is there a coordination mechanism in place to facilitate governmental engagement with TAEF? Please elaborate. If such a mechanism is in place, in what way does your Ministry / Department work with TAEF?
4. Do you have, or have you had, a financial or other interest in any advisory funds, investment management funds, or companies in which TAEF is or has invested or that provide (d) services to TAEF? Please describe.

**EQ3. Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?**

1. Is there a national coordinating mechanism specifically targeting private sector development and involving government agencies, donors, and institutions such as TAEF? Do TAEF representative(s) participate in the work of this mechanism?
2. If TAEF has contributed to advocacy for or the drafting or amendment of regulations enabling private sector development and investment in Tunisia, were these proposals endorsed and enacted by the national government?
3. In your opinion, in what other ways could TAEF be supporting and promoting private sector development in Tunisia?
4. What strategies has TAEF used to engage with the private sector in Tunisia? How effective has it been in reach a range of private businesses, including micro, small medium and larger businesses, specific sectors, etc. How could it be more effective?

**EQ4. Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. Are you familiar with TAEF's overall investment strategy? How effective is it in meeting the needs of Tunisian firms? How could it be improved to better meet these needs?
2. How well does TAEF understand the private sector, the business enabling environment and the financing needs of the private sector?
3. Overall, what is TAEF's reputation in Tunisia? With the government, the private sector, the general public?
4. Are you involved in the review and approval process for TAEF investments? If so, please describe this process. Is your approval required for all investments or just those over a certain threshold? If only for a certain threshold, what is that threshold? How successful do you feel that this process is? Do you have any issues or concerns with this review and approval process? Have you had any issues or concerns regarding the investment proposals? How could this be improved?
5. If TAEF has pioneered the development and delivery of new services or products, have these been adopted by others in the sector? How successful are they (is there demand)? Has TAEF attracted new investors to Tunisia? Do you have recommendations for how they could attract external investment?



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6. What is the potential of TAEF's operations / investments on economic development and / or private sector growth, in your opinion?
7. Has TAEF been active in disseminating commercial best practices? If so, how? How could this be improved?



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## TUNISIAN AMERICAN ENTERPRISE FUND (TAEF) EVALUATION

### KEY INFORMANT INTERVIEW GUIDE, USG STAFF IN TUNISIA

This questionnaire has been prepared as part of a broader evaluation commissioned by the United States Agency for International Development (USAID) as the first of three evaluations mandated in the Tunisian American Enterprise Fund's (TAEF) grant agreement. This early implementation evaluation will assess what foundations TAEF has laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia's private sector. This evaluation will focus on governance, operations, private sector engagement and investment strategy.

Responses to the questionnaire will not be directly attributed to any individual in the final report.<sup>30</sup>

Please state the following information for the record:

#### INTERVIEWER INFORMATION:

**Name:**

**Date:**

RESPONDENT INFORMATION:	
<b>Name:</b>	
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Date:</b>	
<b>Position:</b>	
<b>Current location and contact information</b>	E-mail: Telephone number: Assistant's name and contact information:
<b>Do you agree to have your name included as a key informant in the final evaluation report?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No

#### EQ3. Private Sector Engagement: What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?

1. In what capacity and how regularly do you follow the work of TAEF?
2. In your opinion, to what extent does TAEF's strategy complement USAID's overall development strategy in Tunisia?
3. What foundations is TAEF laying to successfully support private sector development in Tunisia?

<sup>30</sup> This questionnaire will be adapted to individual respondents as not every question may be applicable.



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4. Is there anything that TAEF might be doing better or differently to support Tunisia's economic and private sector development and reforms?
5. In your opinion, how effective has TAEF's strategy been in engaging the private sector, including micro, small and medium enterprises, different sectors, women-owned enterprises, youth and other underserved groups? What could it do to improve private sector engagement?
6. Does TAEF engage with USAID projects to promote private sector development? Please describe? Could TAEF be more effective working with USAID projects and other partners? How?
7. Are you familiar with any business training or technical assistance provided by TAEF to investees? Do you have thoughts on how this could be improved?

**EQ 4. Investment Strategy: Is TAEF's investment strategy and approach tailored to the needs of Tunisian firms?**

1. In your opinion, is TAEF's investment strategy aligned with the financing needs of the private sector in Tunisia? How could it be better aligned to meet these needs?
2. How would you characterize the ability of TAEF to address challenges faced by SMEs in Tunisia's financial sector, i.e. access to finance in general and with respect in particular to key sectors for growth and women business owners?
3. What are other stakeholders' perceptions of TAEF activities in Tunisia (the Government of Tunisia, the private sector, general public, US Embassy)? Do you engage with third party stakeholders, including TAEF clients, to get their feedback?
4. Has TAEF helped identify and promote policies and practices needed to encourage private investment and address challenges in the business enabling environment? Do you have recommendations on how TAEF could improve its effectiveness in this area?
5. Has TAEF disseminated commercial best practices within the private sector? How could TAEF play a stronger role in this area?
6. Has TAEF attracted external investment in Tunisia? How could TAEF play a stronger role in attracting external investment?

# ANNEX V: SUMMARY – EVALUATION TEAM

The following section highlights the evaluation team’s expertise as well as the roles and responsibilities of each team member.

## **STEPHEN EASTHAM – TEAM LEADER/SENIOR EVALUATION SPECIALIST**

Mr. Stephen Eastham has more than 25 years of experience working with USAID on private sector development and managing USAID development projects worldwide. He has extensive leadership and teamwork experience with a focus on design and oversight of investment funds; expanding access to credit for SMEs; and strategies for enhancing economic competitiveness, growth and development. He served as a team leader at USAID, overseeing 10 enterprise funds comprising \$1.2 billion of original capital and covering 18 countries. He has led numerous assessments and evaluations of economic growth projects for USAID. In Tunisia he served on USAID’s Middle East Bureau team that conducted the initial assessment to inform U.S. government decision-makers about the options, issues and opportunities regarding the establishment of a new enterprise fund. This analysis led to TAEF’s development. This familiarity with TAEF and Tunisia’s context will be invaluable to the team and USAID. He recently researched and published an extensive “Lessons Learned” paper on the 10 Europe and Eurasia Enterprise Funds, covering their financial results and developmental impacts over their first 15 years. At the request of the Middle East Bureau, he also reviewed all economic growth projects implemented by USAID/West Bank and Gaza, making recommendations to inform programming. In 2014, he was the team leader for an assessment of Mongolia’s large Sovereign Wealth Fund, which resulted in recommendations on revising the corporate governance and investment approach to best utilize the fund’s resources to achieve optimal economic growth. Prior to working with USAID, Mr. Eastham had a successful entrepreneurial career building a financial services company from its early stages through its initial public offering, and becoming an industry leader, financing over \$2 billion of capital assets. Mr. Eastham holds a juris doctor and bachelor of science in accounting/finance from Indiana University. Mr. Eastham has strong organizational and team building skills, and he will use his understanding of TAEF and USAID to tailor the team’s findings and recommendations.

As the TAEF Evaluation Team Leader and Senior Evaluation Specialist, Mr. Eastham provided technical leadership, guidance and context-specific expertise to the evaluation team. He served as the primary point of contact with USAID and assumed the responsibility of leading the development of all deliverables under the TAEF Evaluation and maintaining quality. Additionally, he used his understanding of TAEF and USAID to tailor the team’s findings and recommendations. He coordinated and direct the overall evaluation efforts and was responsible for day-to-day management of the team, evaluation design, workplan development, and presentations. He managed all evaluation activities including the collection of data through electronic surveys, KIIs, FGDs discussions and site visits, providing technical inputs and oversight to the team. He was responsible for the preparation and submission of the draft and final evaluation reports to Banyan Global, ensuring that all deliverables are completed on time and are of the highest quality.

## **JEAN LANGE – FINANCIAL SECTOR TECHNICAL EXPERT**

Ms. Jean Lange has 30 years of in-depth experience in international economic, financial policy and development assistance; financial and private sector assessments; monitoring and evaluation; and banking supervision. Recently, Ms. Lange served as a Finance and Development Specialist for USAID to monitor and evaluate four ongoing economic growth projects in Tunisia. During the evaluation of USAID Tunisia economic growth projects, she met with TAEF to understand how they were working with other USAID activities involved in private sector development. In 2011, she was part of a USAID team that analyzed the Tunisian economy and financial sector for senior USAID officials. The assessment outlined options and issues regarding the potential establishment of a U.S. government-financed Enterprise Fund to promote private sector access to finance and job creation. During her long tenure of supporting banking and financial sector reforms in Eastern Europe and Eurasia, she worked with and coordinated policy and the implementation of programs with the Enterprise Funds throughout the region. She has a proven track record of achievement as a leader of economic growth program assessment and design teams for countries emerging from conflict and crisis, as a program monitoring and evaluation specialist, and as an architect and manager of comprehensive USAID economic growth projects in Central and Eastern Europe and the Former Soviet Union), with a focus on banking sector reform, access to finance, private sector development, economic governance, and public financial management. Ms. Lange is fluent in French and holds a bachelor of arts in European history from Brown University and a master of arts in international economics from the John Hopkins School of Advanced International Studies.

Ms. Jean Lange served as the Financial Sector Technical Expert and worked in collaboration with the evaluation team, taking the lead on the design, collection and analysis of TAEF's portfolio and other financial data derived as part of the evaluation. She ensured that the methodology and tools are relevant for examining TAEF's investment strategy, processes and procedures, risk management, and other financial sector issues. Additionally, Ms. Lange served as a co-author, assisting in the development of the interim, draft and final reports.

## **EUGENE SPIRO – CORPORATE GOVERNANCE EXPERT**

Mr. Eugene Spiro, a fluent French speaker, has more than 20 years of international business and development experience in the Middle East, Europe and Eurasia, Africa, and Asia. He has evaluated and assessed economic development programs, focusing on corporate governance. Mr. Spiro recently completed a USAID-funded evaluation of the Enterprise Funds and Legacy Foundations in Europe and Eurasia, examining individual funds and their operations, strategic orientations, corporate governance practices, and impact on private-sector development. From 2007 to 2013, he worked for the IFC on corporate governance and the development of strategic partnerships. While there he oversaw the preparation of technical assistance plans supporting access to finance, SME development, and public-private partnerships. He also led a corporate governance assessment of a civil society organization in Asia. Working for the Center for International Private Enterprise, he led the development of grants to businesses and civil society organizations supporting market reforms in the Middle East and Africa and conducted an assessment of the Palestine Governance Institute. As a consultant with UNDP, he has coauthored, and is supporting implementation of, UNDP's Strategy for Partnership with International Financial Institutions, and has prepared evaluations of private sector development projects in the Czech Republic, Turkmenistan and Slovakia. He holds a bachelor of arts in international relations and a master of arts in international economics, both from the American University.

As the Corporate Governance Specialist, Mr. Spiro provided important insight into TAEF's corporate-governance policies and practices. Specifically, he incorporated the IFC corporate governance framework within the design, methodology and data collection tools and instruments to support the examination of board commitment, structure and dynamics, control environment, disclosure and reporting practices, and stakeholder engagement. Additionally, Mr. Spiro provided a strong focus on TAEF's organizational

structure as well as valuable considerations for TAEF's monitoring of its investees' organizational structure and governance.

### **AMY PORTER – RESEARCHER AND EVALUATION SPECIALIST**

Ms. Amy Porter is a professional researcher that has conducted in-country evaluation and research on multiple projects and programs funded by USAID and others that focused on entrepreneurship, employment and business start-up. As a Research Fellow for the Fulbright-Hays Program, she conducted in-depth monitoring and evaluation of two ten-month youth entrepreneurship training (ET) programs implemented by a Senegalese NGO that received funding from major international donors such as USAID, the MasterCard Foundation, and the Finnish Ministry of Foreign Aid (MIFA). In this role, she independently managed all aspects of research, including: the design of evaluation methodologies; evaluating curriculum, training materials, and pedagogical practices; discerning germane analytic frameworks; and conducting field assessments. Prior to this, Ms. Porter was a Research and Language Fellow for the National Security Education Program (NSEP) in Senegal. In this role, Ms. Porter conducted community mapping to identify all governmental and non-governmental youth-focused ET programs in the greater Dakar region, secured meetings with heads of NGO and governmental organizations, presented the research project, solicited research permission from organizations, and identified issues and opportunities related to youth (un)employment in the community. Lastly, she was a Research Consultant for the Program for Applied Technologies in Health (PATH) International through MBAs without Borders in Kenya and Ethiopia in 2012. Here, she developed methods and approaches for gathering data to evaluate feasibility of new pharmaceutical products intended for developing country markets and refined multiple analytic techniques to evaluate data and existing distribution processes. She also developed and presented recommendations about pharmaceutical products to inform strategic decisions, policy, and to provide programmatic guidance to directors at PATH's NGO headquarters in Seattle, Washington.

Ms. Amy Porter served as the TAEF Research and Evaluation Specialist providing expert U.S. based support focused on the evaluation methodology and data collection tools and instruments. Additionally, she managed the desk review, electronic survey and data analysis. Ms. Porter also provided technical inputs and assistance in report writing.

### **SKANDER HARZI – LOCAL M&E/SME SPECIALIST AND ADMINISTRATIVE ASSISTANT**

Mr. Skander Harzi, a Tunisian national, is a skilled M&E specialist with 10 years of experience in project administration, logistics, data analysis, M&E and reporting. He has managed M&E teams, deadlines and multiple tasks. Mr. Harzi also has expertise in SME development. Under the USAID-funded Business Reform and Competitiveness Project, he supported SMEs through technical assistance and improving access to credit and equity finance while also developing the project's M&E system. He brings a strong information technology foundation in data analytics and an understanding of the processes, tools and knowledge required for monitoring and evaluating the impact of USAID-funded programs.

Mr. Harzi provided technical support and local knowledge to the team during the collection, cleaning and analysis of data. He also provided technical inputs and assistance in report writing. In addition to his technical support, Mr. Harzi provided administrative support for the team in coordination with Ms. Bellili, a local translator, who assisted in logistics and support FGDs, particularly any FGDs of women, given the gender dynamics.

# ANNEX VI: EVALUATION SCOPE OF WORK

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Tunisian American Enterprise Fund (TAEF) Evaluation

## SECTION C – DESCRIPTION/SPECIFICATIONS/STATEMENT OF WORK

### C.1 INTRODUCTION

USAID’s Middle East Bureau intends to conduct a full, evidence-based and independent early-implementation evaluation of the Tunisian American Enterprise Fund’s (TAEF) first three and a half years of implementation. TAEF represents a distinct approach to promoting private sector development and furthering U.S foreign policy objectives. Now that TAEF has commenced full operations, this is an opportune time to conduct a performance evaluation to take stock of the accomplishments and challenges encountered by TAEF, as well as to garner important lessons learned to inform future work.

All modifications to this statement of work (SOW)—whether in technical requirements, evaluation questions, team composition, methodology, or timeline—must be agreed upon in writing by USAID’s Contracting Officer’s Representative (TOCOR).

### C.2 EVALUATION PURPOSE AND TARGET AUDIENCE

The grant agreement states that “the Grantee shall participate in three evaluations of Grant activities...one during the early implementation phase of the Grant, one at the mid-term of the Grant and one at the completion of the Grant.”

Given that this activity is still in an early stage of implementation, this first evaluation will set the groundwork for later evaluations. The purpose of this first evaluation is to rigorously examine the processes, governance and operational structures which have been established to date. Based on the Eastern European experience, we hypothesize that these early processes are key to the activity’s later success.

There is significant interest within the USG in obtaining more information on the experiences and accomplishments of TAEF and how such models may be adopted as one element of a broader, long-term economic assistance effort by USAID and other donors. The primary target audience is USAID/ME staff based in Washington as well as TAEF’s Board of Directors and senior managers. The secondary audience includes USAID/Tunisia, other USAID Bureaus, the U.S. Congress, the State Department’s Bureau of Near Eastern Affairs, the Governmental Accountability Office, the Government of Tunisia, and Tunisian private sector institutions such as chambers of commerce and possibly think tanks such as the Council on Foreign Relations.

### C.3 BACKGROUND

Following the Arab Spring, the Congress authorized an enterprise fund for Egypt and for Tunisia. Because TAEF is authorized through legislation, USAID is not bound by some of the regulations that would normally apply to a USAID grant and TAEF has exceptional autonomy compared to traditional USAID grants. TAEF is an independent, autonomous organization governed by a board of directors. It is a non-profit, tax exempt corporation, incorporated in Delaware.

The Middle East enterprise funds are generally modeled on enterprise funds that USAID set up in Central and Eastern Europe in the 1990s. The Central and Eastern Europe enterprise funds operated in non-market-based economies that lacked sophisticated financial institutions. In contrast, Tunisia

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has a market-based economy with a well-developed financial sector. Thus, although the host country regulatory regime is often challenging, in general, TAEF does not face the same challenges of doing business as those funds that operated in a formerly centrally-planned economy. Moreover, USAID had the advantage of learning best practices from the Europe and Eurasia funds.<sup>1</sup> One main lesson from the Central and Eastern Europe enterprise funds is the importance of a strong board of directors for achieving transparency and success.

TAEF was authorized by the State Foreign Operations and Related Programs Appropriations Act, FY 2012. In July 2013, the TAEF Grant Agreement (Grant) was signed by USAID and TAEF's Chairman of the Board and the Grant was funded with \$20,000,000. Since then, the Grant has been amended to increase its ceiling and to obligate additional funding of \$60,000,000, bringing its total funding amount to \$80,000,000. USAID anticipates a final obligation of \$20,000,000 in 2017 which, if this funding is received, will bring its total funding to \$100,000,000.

A. TAEF Goal and Objectives

The TAEF grant agreement is AID-ASIA-G-13-0004. The grant agreement was signed on July 9, 2013, and has a current end date of December 31, 2026.

The TAEF Grant states that its purpose is as follows:

As provided in the Act, the purpose of the Fund is, through loans, microloans, equity investments, insurance, guarantees, grants, feasibility studies, technical assistance, training for businesses receiving investment capital, and other measures, to promote: (i) development of the Tunisian private sector, including small businesses, the agricultural sector, and joint ventures with United States and Tunisia participants; and (ii) policies and practices conducive to private sector development in Tunisia. In particular, the Fund will seek to encourage the creation and expansion of small and medium-sized enterprises in Tunisia. The Fund will seek to accomplish its purpose through transactions which are intended to assist in the initiation and expansion of a wide array of private enterprises, promote and disseminate international business know-how and best practices and demonstrate to other potential investors that private sector investment can be undertaken profitably in Tunisia. In addition, it is anticipated that the Fund, through its operations, will help identify and promote policies and practices which are needed to encourage and facilitate private investment. The Fund will seek to develop an investment portfolio which, over the long term, will make the Fund self-sustaining.

The TAEF Grant Agreement contains the following "goal statement":

The goal of the Tunisian-American Enterprise Fund (TAEF) is to increase private sector investments in promising small and medium-sized enterprises (SMEs) in Tunisia's economy, to promote and disseminate international commercial best practices; and attempt to "crowd-in" investment in Tunisian SMEs from other sources. All of these objectives are consistent with USAID's goal of a more competitive, private sector-led, and inclusive Tunisian economy.

The TAEF grant also contains the following principles:

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<sup>1</sup> See, "The Enterprise Funds in Europe and Eurasia: Successes and lessons Learned", September 12, 2013 (attached).

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- The Board and management may, in their sole discretion, determine how TAEF is structured and make strategic and operating decisions. While TAEF's primary activity is to engage in a variety of private sector transactions in Tunisia, the exact nature of the transactions will be determined by the Board and executive management of TAEF. It is anticipated that TAEF will make both equity investments and loans, and seek to develop financial transactions and instruments which are appropriate to the Tunisian economy. TAEF will target its investment program on small and medium size enterprises (neither small nor medium is defined in the grant). To the extent practicable, TAEF will encourage Tunisian private sector participation in the ownership and management of investments.
- Investment includes direct equity investments, loans and other forms of financial commitment (including investments in financial institutions, private equity funds, private equity co-investment vehicles and/or separate accounts that delegate the discretion to make underlying investments to investment managers).
- The application of investment policies to individual investment decisions will be based on the business judgment of the TAEF's Board of Directors and executive management.
- The TAEF Board will seek opportunities to raise third party capital for co-investment with TAEF, including through a parallel fund that may be formed to co-invest with the Fund.
- TAEF may undertake or finance technical assistance activities that directly support investments and potential investments.
- The Grant acknowledges that it is unlikely that each investment or project undertaken the TAEF will be successful. The success of TAEF will be characterized by the extent to which the TAEF causes or contributes to the attainment of the goals set forth in the TAEF's objectives.
- The Grant makes clear that TAEF is not an agency or establishment of the USG and the officers, employees or members of the BOD are not officers or employees of the USG.
- TAEF will seek to develop appropriate exit strategies for its investment portfolio.
- In making investments, TAEF must take into consideration internationally recognized worker rights and human rights, gender, environmental factors, US economic and employment effects, and the likelihood of commercial viability of the activity receiving assistance from TAEF.

Figure 1. Mapping TAEF's investments (October 2016). Source: <http://www.taefund.org/en/key-figures/>



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The methods described herein are only illustrative, and USAID expects the contractor to propose data collection and analysis methods that will “generate the highest quality and most credible evidence that corresponds to the evaluation questions being asked,” as stipulated in USAID’s Evaluation Policy.<sup>2</sup> The contractor is expected to identify feasible data collection methods, both quantitative and qualitative, and summarize the advantages and disadvantages of each. The methodology for any evaluation process that involves the selection of benefitting enterprises and/or individuals (e.g. surveys, focus groups, interviews) must be clearly explained and justified.

What foundations has TAEF laid for successfully achieving its legislative and grant agreement purpose of developing Tunisia’s private sector (see pages 2-3 for TAEF’s purpose as stated in the Grant Agreement)?

- For example, has TAEF established appropriate and effective governance structures (such as its Board of Directors and other structures)? What are the strengths and weaknesses of the governance structures? How will the governance structures provide a foundation for success?
- Has TAEF established appropriate and effective operational structures? What are the strengths and weaknesses of the operational structures? How will the operational structures provide a foundation for success?
- What approaches have TAEF and its operating structures undertaken to engage with Tunisian firms and are these generally successful to date?
- Are TAEF’s investment strategy and approach tailored to the needs of Tunisian firms?

Contractors should feel free to ask for clarifications to the above evaluation questions.

Suggested Methodology:

The evaluation team should propose specific qualitative and quantitative methods to be utilized in the evaluation, including data collection and analysis plans and the strengths and limitations of the proposed methods.

Desk Study:

Before traveling to Tunisia, the evaluation team will conduct a desk study of relevant information. Suggested information sources will include the list of documents to be provided to the evaluation team after a contract is awarded, as well as interviews with selected stakeholders (to be agreed upon with USAID).

As a starting point, the evaluator should review grant agreement and modification documentation; TAEF M&E reports submitted to USAID; and TAEF annual reports. The evaluator may also want to review the USAID/Europe & Eurasia’s September 2013 Enterprise Fund internal review final report titled “*The Enterprise Funds in Europe and Eurasia: Successes and Lessons Learned*” as a foundation upon which to explore enterprise fund operations and portfolios in greater depth.

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<sup>2</sup> USAID Evaluation Policy, January 2011:  
<http://www.usaid.gov/sites/default/files/documents/2151/USAIDEvaluationPolicy.pdf>

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In-Country Research and Evaluation:

Data collection in the field should take into account local holidays, and general lack of availability of relevant local partners due to vacations, etc. Thus, in order to facilitate quality data, data collection in the field will not begin until October 2017. This evaluation may also be conducted utilizing information from the following sources *inter alia*:

- Non-confidential TAEF documentation; internal documentation, as agreed upon by the evaluators, TAEF, and USAID; reporting on portfolios, governance, organizational structure, strategic direction, and outreach. A review of secondary literature should include annual reports, memoranda on relevant topics, and any internal assessment and/or evaluation reports prepared by TAEF or its investees (to the extent investees, TAEF and USAID agree to share internal documents with the evaluators).
- Interviews, questionnaires, and/or electronic surveying of TAEF Board of Directors, TAEF staff and TAEF investees.
- Interviews with Government of Tunisia partners, USAID staff, the U.S. Embassy in Tunisia, and other stakeholders engaged in Tunisian private sector development.
- Interviews, focus groups, and/or electronic surveying of recipients of TAEF investments.
- Site visits to recipient companies and organizations.

The team should aim to visit a sufficient number of TAEF partners to provide a valid and representative sample in Tunisia. Sites selected should provide a cross-section of TAEF's activities. The evaluation team may not be able to access benefitting entities in all cases. If and when this is the case, USAID expects the evaluation team to reallocate levels of effort and data collection plans accordingly.

### **C.5 EVALUATION TEAM COMPOSITION & QUALIFICATIONS**

USAID recommends a four-person core evaluation team; the team leader and financial sector technical expert should both be senior-level experts. USAID values highly qualified and experienced experts who can successfully work with the implementing partner and evaluate the activities. However, the evaluator should feel free to propose an alternate team composition with an explanation or justification of the alternate team proposal. The evaluator can propose a larger team if they prefer to include other staff members to facilitate proposed field work. One evaluation team member may fulfill two roles and/or serve two functions, as long as that individual simultaneously meets all requirements for both positions. At least one of the senior members of the team (the team leader, technical expert, evaluation expert) must be fluent in written and spoken French.

Team Leader / Senior Evaluation Specialist – This individual will have a minimum of ten years of experience conducting program evaluations in developing countries, ideally in the areas of finance, economics, economic growth, SME development, as well as a master's degree in a relevant field

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(finance, business, economics, etc.). Development and/or evaluation experience in the North Africa and Middle East region is highly desirable. As evaluation team leader, the incumbent should possess good organization and team-building skills.

S/he will coordinate and direct the overall evaluation effort, and will be responsible for day-to-day management of the team, evaluation design, work plan development, data collection and synthesis, presentations, and preparation and submission of the draft and final evaluation reports to USAID. S/he will also serve as primary liaison with USAID regarding technical issues.

Financial Sector Technical Expert – This individual will have an undergraduate degree or higher in finance or a related subject. The Technical Expert should possess knowledge of finance, investment products, and investment fund operations. S/he will be knowledgeable in financial and private sector trends and dynamics in the North Africa and Middle East context. S/he should have experience in investment fund management, including experience in investment opportunities in SMEs and start-ups. S/he should also have experience in conducting qualitative evaluations/assessments in the financial sector, preferably in the Middle East and North Africa region.

Working in collaboration with other team members, s/he will take the lead on the design, collection, and analysis of TAEF's portfolio and other financial data derived as part of the evaluation.

Evaluation Specialist – This individual will have a graduate degree or equivalent. The evaluation Specialist should have a minimum of five years of experience designing and managing program evaluations and/or assessments, including demonstrated experience designing interview protocols, surveys, and/or questionnaires in the economic growth sector.

S/he will help the team in evaluation design, developing data collection tools, conducting the desk review, planning interviews and assessments, analyzing collected data, and assisting with report writing. S/he will take direction from other team members as appropriate, taking the lead in handling logistics related to all evaluation field work.

Administrative Assistant – This individual will have at least a High School Diploma or equivalent. The Administrative Assistant should have experience managing complex project teams with multiple deadlines and activities. Fluency in oral and written English is required. Some experience working on evaluations is preferred.

This person will take their direction from the team leader and take the lead in handling the logistics related to travel and data collection in the U.S. and in Tunisia.

All evaluation team members must be familiar with USAID's Evaluation Policy. All team members are required to provide to USAID a signed statement attesting to a lack of conflict of interest in relation to TAEF. The contractor shall provide information on proposed evaluation team members, including CVs, list of references, and samples of past evaluation work, as well as an explanation of how team members meet their respective requirements set forth in the evaluation SOW. USAID may request an interview with any of the proposed evaluation team member/s via conference call/Skype or any other means available.

# ANNEX VII: CONFLICT OF INTEREST STATEMENTS

## Disclosure of Real or Potential Conflict of Interest for USAID Evaluations

Instructions:

*Evaluations of USAID projects will be undertaken so that they are not subject to the perception or reality of biased measurement or reporting due to conflict of interest.<sup>1</sup> For external evaluations, all evaluation team members will provide a signed statement attesting to a lack of conflict of interest or describing an existing conflict of interest relative to the project being evaluated.<sup>2</sup>*

Evaluators of USAID projects have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by third parties. Evaluators and evaluation team members are to disclose all relevant facts regarding real or potential conflicts of interest that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the evaluator or evaluation team member is not able to maintain independence and, thus, is not capable of exercising objective and impartial judgment on all issues associated with conducting and reporting the work. Operating Unit leadership, in close consultation with the Contracting Officer, will determine whether the real or potential conflict of interest is one that should disqualify an individual from the evaluation team or require recusal by that individual from evaluating certain aspects of the project(s).

In addition, if evaluation team members gain access to proprietary information of other companies in the process of conducting the evaluation, then they must agree with the other companies to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.<sup>3</sup>

**Real or potential conflicts of interest may include, but are not limited to:**

1. Immediate family or close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.
2. Financial interest that is direct, or is significant/material though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.
3. Current or previous direct or significant/material though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.
4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.
5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.
6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.

<sup>1</sup> USAID Evaluation Policy (p. 8); USAID Contract Information Bulletin 99-17; and Federal Acquisition Regulations (FAR) Part 9.5, Organizational Conflicts of Interest, and Subpart 3.10, Contractor Code of Business Ethics and Conduct.

<sup>2</sup> USAID Evaluation Policy (p. 11)

<sup>3</sup> FAR 9.505-4(b)

Disclosure of Conflict of Interest for USAID Evaluation Team Members

Name	Stephen C. EASTHAM
Title	TEAM LEADER
Organization	BANYAN Global
Evaluation Position?	<input checked="" type="checkbox"/> Team Leader <input type="checkbox"/> Team member
Evaluation Award Number (contract or other instrument)	SOL-OAA-17-000098
USAID Project(s) Evaluated (Include project name(s), implementer name(s) and award number(s), if applicable)	Tunisian American Enterprise Fund
I have real or potential conflicts of interest to disclose.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>If yes answered above, I disclose the following facts:</p> <p><small>Real or potential conflicts of interest may include, but are not limited to:</small></p> <ol style="list-style-type: none"> <li>1. Close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.</li> <li>2. Financial interest (that is direct, or is significant though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.</li> <li>3. Current or previous direct or significant though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.</li> <li>4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.</li> <li>5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.</li> <li>6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.</li> </ol>	<p>3) &amp; 4) On Assessment Team in 2011 conducting the initial Assessment to inform USAID &amp; USG decision makers regarding the options, issues, and opportunities regarding the establishment of a new Enterprise Fund in Tunisia, which ultimately led to TAEF's establishment.</p>

I certify (1) that I have completed this disclosure form fully and to the best of my ability and (2) that I will update this disclosure form promptly if relevant circumstances change. If I gain access to proprietary information of other companies, then I agree to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.

Signature	Stephen C. Eastham
Date	10 OCTOBER 2017

## Disclosure of Real or Potential Conflict of Interest for USAID Evaluations

Instructions:

*Evaluations of USAID projects will be undertaken so that they are not subject to the perception or reality of biased measurement or reporting due to conflict of interest.<sup>1</sup> For external evaluations, all evaluation team members will provide a signed statement attesting to a lack of conflict of interest or describing an existing conflict of interest relative to the project being evaluated.<sup>2</sup>*

Evaluators of USAID projects have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by third parties. Evaluators and evaluation team members are to disclose all relevant facts regarding real or potential conflicts of interest that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the evaluator or evaluation team member is not able to maintain independence and, thus, is not capable of exercising objective and impartial judgment on all issues associated with conducting and reporting the work. Operating Unit leadership, in close consultation with the Contracting Officer, will determine whether the real or potential conflict of interest is one that should disqualify an individual from the evaluation team or require recusal by that individual from evaluating certain aspects of the project(s).

In addition, if evaluation team members gain access to proprietary information of other companies in the process of conducting the evaluation, then they must agree with the other companies to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.<sup>3</sup>

**Real or potential conflicts of interest may include, but are not limited to:**

1. Immediate family or close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.
2. Financial interest that is direct, or is significant/material though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.
3. Current or previous direct or significant/material though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.
4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.
5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.
6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.

<sup>1</sup> USAID Evaluation Policy (p. 8); USAID Contract Information Bulletin 99-17; and Federal Acquisition Regulations (FAR) Part 9.5, Organizational Conflicts of Interest, and Subpart 3.10, Contractor Code of Business Ethics and Conduct.

<sup>2</sup> USAID Evaluation Policy (p. 11)

<sup>3</sup> FAR 9.505-4(b)

Disclosure of Conflict of Interest for USAID Evaluation Team Members

Name	EUGENE A. SPIRO
Title	FUND CORPORATE GOVERNANCE EXPERT
Organization	MILLENNIUM PARTNERS
Evaluation Position?	<input type="checkbox"/> Team Leader <input checked="" type="checkbox"/> Team member
Evaluation Award Number (contract or other instrument)	SOL-OAA-17-000098
USAID Project(s) Evaluated (Include project name(s), implementer name(s) and award number(s), if applicable)	Tunisian American Enterprise Fund
I have real or potential conflicts of interest to disclose.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>If yes answered above, I disclose the following facts:</p> <p><i>Real or potential conflicts of interest may include, but are not limited to:</i></p> <ol style="list-style-type: none"> <li>1. Close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.</li> <li>2. Financial interest that is direct, or is significant though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.</li> <li>3. Current or previous direct or significant though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.</li> <li>4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.</li> <li>5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.</li> <li>6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.</li> </ol>	

I certify (1) that I have completed this disclosure form fully and to the best of my ability and (2) that I will update this disclosure form promptly if relevant circumstances change. If I gain access to proprietary information of other companies, then I agree to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.

Signature	
Date	10/10/17

## Disclosure of Real or Potential Conflict of Interest for USAID Evaluations

Instructions:

*Evaluations of USAID projects will be undertaken so that they are not subject to the perception or reality of biased measurement or reporting due to conflict of interest.<sup>1</sup> For external evaluations, all evaluation team members will provide a signed statement attesting to a lack of conflict of interest or describing an existing conflict of interest relative to the project being evaluated.<sup>2</sup>*

Evaluators of USAID projects have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by third parties. Evaluators and evaluation team members are to disclose all relevant facts regarding real or potential conflicts of interest that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the evaluator or evaluation team member is not able to maintain independence and, thus, is not capable of exercising objective and impartial judgment on all issues associated with conducting and reporting the work. Operating Unit leadership, in close consultation with the Contracting Officer, will determine whether the real or potential conflict of interest is one that should disqualify an individual from the evaluation team or require recusal by that individual from evaluating certain aspects of the project(s).

In addition, if evaluation team members gain access to proprietary information of other companies in the process of conducting the evaluation, then they must agree with the other companies to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.<sup>3</sup>

**Real or potential conflicts of interest may include, but are not limited to:**

1. Immediate family or close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.
2. Financial interest that is direct, or is significant/material though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.
3. Current or previous direct or significant/material though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.
4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.
5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.
6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.

<sup>1</sup> USAID Evaluation Policy (p. 8); USAID Contract Information Bulletin 99-17; and Federal Acquisition Regulations (FAR) Part 9.5, Organizational Conflicts of Interest, and Subpart 3.10, Contractor Code of Business Ethics and Conduct.

<sup>2</sup> USAID Evaluation Policy (p. 11)

<sup>3</sup> FAR 9.505-4(b)

Disclosure of Conflict of Interest for USAID Evaluation Team Members

Name	Jean Lange
Title	Financial Sector Technical Expert
Organization	Millennium Partners
Evaluation Position?	<input type="checkbox"/> Team Leader <input checked="" type="checkbox"/> Team member
Evaluation Award Number (contract or other instrument)	SOL-OAA-17-000098
USAID Project(s) Evaluated (Include project name(s), implementer name(s) and award number(s), if applicable)	Tunisian American Enterprise Fund
I have real or potential conflicts of interest to disclose.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>If yes answered above, I disclose the following facts:</p> <p><i>Real or potential conflicts of interest may include, but are not limited to:</i></p> <ol style="list-style-type: none"> <li>1. Close family member who is an employee of the USAID operating unit managing the project(s) being evaluated or the implementing organization(s) whose project(s) are being evaluated.</li> <li>2. Financial interest that is direct, or is significant though indirect, in the implementing organization(s) whose projects are being evaluated or in the outcome of the evaluation.</li> <li>3. Current or previous direct or significant though indirect experience with the project(s) being evaluated, including involvement in the project design or previous iterations of the project.</li> <li>4. Current or previous work experience or seeking employment with the USAID operating unit managing the evaluation or the implementing organization(s) whose project(s) are being evaluated.</li> <li>5. Current or previous work experience with an organization that may be seen as an industry competitor with the implementing organization(s) whose project(s) are being evaluated.</li> <li>6. Preconceived ideas toward individuals, groups, organizations, or objectives of the particular projects and organizations being evaluated that could bias the evaluation.</li> </ol>	<p>3. In 2011, I was part of a team that conducted an evaluation of the Tunisian financial sector + SME access to finance issues to provide senior USAID officials with information to inform their decisions whether to establish a Tunisian American Enterprise Fund</p> <p>4. In 2014 + 2015, I had a contract with USAID (through an intermediary firm) to monitor + evaluate USAID's economic growth programs in Tunisia. This did not include TAEF, though I did meet with them to get information about their progress.</p>

I certify (1) that I have completed this disclosure form fully and to the best of my ability and (2) that I will update this disclosure form promptly if relevant circumstances change. If I gain access to proprietary information of other companies, then I agree to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than that for which it was furnished.

Signature	Jean R. Lange
Date	10/18/17

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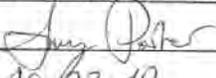
<sup>2</sup> USAID Evaluation Policy (p. 11)

<sup>3</sup> FAR 9.505-4(b)

Disclosure of Conflict of Interest for USAID Evaluation Team Members

Name	Amy Porter
Title	Consultant
Organization	Bruce Global
Evaluation Position?	<input type="checkbox"/> Team Leader <input checked="" type="checkbox"/> Team member
Evaluation Award Number (contract or other instrument)	SOL-OAA-17-000098
USAID Project(s) Evaluated (Include project name(s), implementer name(s) and award number(s), if applicable)	Tunisian American Enterprise Fund
I have real or potential conflicts of interest to disclose.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Signature	
Date	10-23-17