



Tunisian  
American  
Enterprise  
Fund

IMPULSION AU DEVELOPPEMENT

# ANNUAL REPORT 2014



**USAID**  
FROM THE AMERICAN PEOPLE

# Letter from Board Chair and COO

2014 was a year of momentous change for Tunisia and a year of laying the foundation for growth for the Tunisian American Enterprise Fund (TAEF).

## 2014 Accomplishment Highlights

Our 2014 accomplishments are detailed later in this annual report, but a few merit special mention here. TAEF became active investor with our first investment in TunInvest Croissance, a private equity fund investing in small and medium enterprises (SME) in Tunisia. We set up a dedicated SME investment platform to provide equity and debt investments and hired Hedi Ksiao as its General Manager. TAEF began due diligence on direct investment in a couple of the newly formed microfinance institutions. Our staff grew in 2014 with the addition of talented and committed individuals:

- Hedi **Ksiao** - Managing director/ SME investment
- Ahlem **Ayachi** - Office manager
- Hajer **Khamassi** - Investment manager
- Lilia **Ben Yahia** - PR and Communication manager
- Meriem **Gharred** - Accountant
- Malek **Kallel** - Assistant analyst
- Bessem **Jebara** - Investment manager
- Ouanes **Naziha** - Investment manager

## 2015 Expectations

With 2014 as a foundational year for our business, we expect 2015 to be a year of implementation across all four of our investment focus areas.

— **SMEs:** A major focus of TAEF, our SME platform will provide needed capital to well-run small and medium businesses that are poised for growth. We expect that in 2015 we will fine-tune our approach as we make our initial investments so that we are poised to dramatically increase our SME investing in 2016 and beyond.

— **MFIs:** We will invest in Tunisia's newly formed microfinance institutions, making capital accessible to the country's micro-entrepreneurs and small family-run businesses.

— **Private Equity:** Our investment in TunInvest Croissance will continue to make equity investments in growing enterprises.

— **Start-ups:** We will establish our investment process for start-ups.

## TAEF Mission

This year of democratic transition and economic challenge for Tunisia has made it abundantly clear to us that Tunisia needs increased private sector investment. It is a simple equation: if investment does not increase then growth will not increase. In particular, much more investment is needed in the entire p tSME sector. This sector that lies at the heart of the Tunisian economy and t holds the key for creating a more inclusive and well-functioning economy.

Our investments are focused on this critical sector. We seek well-run, high potential SMEs that with capital will expand economic and employment opportunities throughout the country. It is our further intention to prove that investing in Tunisia is not only important but also financially sound.

Both of us remain very conscious of the privileges and responsibilities of our mission. Along with our board and staff, we remain committed to expanding economic and employment opportunities throughout Tunisia.



# TAEF 2014 Accomplishments

At TAEF, we began implementing the strategy developed in the first 6 months of our organization's life (our grant agreement was signed in July 2013). And we made great progress!

**By the end of 2014, we had accomplished the following:**

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## Fund Size:

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Our funding through U.S. A.I.D. from the U.S. Congress increased by an additional \$ 20 million to a current level of \$ 60 million.

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## Investments:

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### **Private Equity – SME:**

TAEF committed TND 4 million to TunInvest Croissance for a %15.5 share of this private equity fund investing in Tunisian SMEs (larger than those to be financed by TAEF's SME platform—see "SME Platform" below). By the end of 2014, the fund had invested in nine companies in varied sectors: education, construction, financial services, energy, environment, industry and agricultural industry.

### **SME Platform:**

TAEF designed a new investment structure for SME investing in Tunisian companies that applies a financing model combining equity, quasi-equity royalty payments and debt. (Note, this model has been successfully developed and applied elsewhere, most notably in South Africa by Business Partners.) The SME platform includes a Mauritius-based fund, the Tunisian American SME Company, with a Tunisia-based advisory entity, the SME Consulting Company.

- TAEF submitted plans for our new SME fund structure to USAID and the US Congress for the required approvals in fall 2014. Final authorization to proceed with creating the legal structures came in early January 2015, allowing TAEF to fully operationalize.
- TAEF carried out a search for a General Manager for our SME Consulting Company, the Tunisian advisory entity of the SME fund. Hedi Ksaa was hired effective January 2015.
- TAEF began deal sourcing through networks, partnerships, collaboration with financial institutions, a deep dive in the sector and direct contacts from the prospective investees.
- A pipeline of potential candidate companies for investments was started and preliminary reviews and interviews begun.
- Due diligence on four preselected deals began in early January 2015.

### **Microfinance Institutions (MFIs):**

TAEF staff engaged in due diligence on two of the newly licensed MFIs starting operations in Tunisia. Proposals for the first MFI investments would be brought to TAEF's Investment Committee in early 2015.

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## Management and Administration:

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### Staffing:

TAEF built capacity with the addition of an Investment Officer and an Executive Assistant. Staff for the SME platform are expected to join in 2015.

### Branding & Communications:

TAEF's website was launched in 2014 and remains under development to provide a critical interface with companies seeking investment.

### Policies and Procedures:

TAEF developed operational and administrative policies and procedures to guide its work and ensure compliance with both US and Tunisian regulations.

### GAO Audit:

With the first anniversary of the fund in July 2014, the U.S. General Accounting Office carried out an exhaustive audit of the fund resulting in a positive review and a few minor adjustments in our administrative processes.

### Financial Audit:

A full financial audit of our 2013 and 2014 operations (an 18 month period) was carried out. We received a clean audit opinion from an independent auditor.

*Please consult our financials 2014 by clicking on this link.*

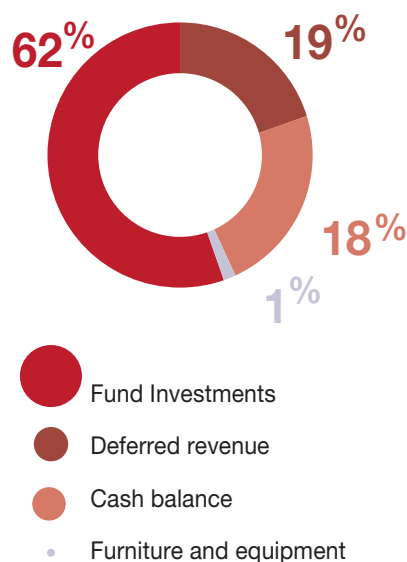
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While launched recently in July of 2013, the Tunisian-American Enterprise Fund (TAEF) has already begun to advance its mission: to invest in Tunisia through existing and newly incorporated financial vehicles that invest in small to medium enterprises. In 2014, TAEF invested in a **private equity** fund which promotes private sector development in Tunisia by supporting private enterprises with loans, micro-credit, equity, and technical assistance.

This investment was made possible from a grant from the U.S. Agency for International Development (USAID) which is a result of an action by Congress in response to the political and economic transitions in the Middle East known as the Arab Spring. The total grant to TAEF is \$60 million through December 31, 2022.

In 2014, TAEF was advanced approximately \$1.75 million under the terms of this grant of which approximately \$1.1 million was invested in the **private equity** fund in Tunisia. The bulk of the **remaining** advance was used for the initial costs of start up of approximately \$600,000 which is primarily comprised of staff costs, professional fees, travel and rent **split over the US and Tunisia offices**. Management expects their overhead costs to stabilize as investments in their programmatic mission grow significantly in the coming years.

**The allocation of the advance can be broken down as follows:**





# TAEF AT A GLANCE

## Purpose

TAEF was created to support the Tunisian people after the Arab Spring by investing in Tunisia's private sector.

TAEF seeks to expand economic and employment opportunities throughout the country, encourage investment and launch the small and medium enterprises that will be engines of long term growth.

TAEF's goals are

- Positive financial returns
- New, stable employment
- Investments throughout the country—not just in the capital region
- Investments in women and youth

## Funding - Source

The U.S. Agency for International Development funds the TAEF and provides oversight.

## Funding - Amount

\$ 60 million as of 2014

## Investments

Investment in TunInvest Croissance:  
Commitment to SME Platform:

**TND 4 million**  
**\$ 30 million**

Projected Commitments in MFIs Subject to Due Diligence:

**\$ 4 million**

## Funding - Term

The fund will close down in 2022 unless its term is extended.

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## TAEF BOARD MEMBERS

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W. Bowman **Cutter** Chair  
Roosevelt Institute



Ferid **Abbas**  
SETCAR



Stephen **Bosworth**  
John F. Kennedy School of Government



Gil **Crawford**  
MicroVest Capital Management



Mohamed **Malouche** Treasurer  
Tunisian American Young Professionals



Howard **Newman**  
Pine Brook Partners



Ann **Wyman**  
AfricInvest



US member



Tunisian member

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*The U.S. Agency for International Development administers the U.S. foreign assistance program providing economic and humanitarian assistance in more than 80 countries worldwide.*

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