

BlackRock Enhanced Government Fund, Inc.
Form N-CSRS
September 04, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSRS

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES**

Investment Company Act file number 811-21793

Name of Fund: BlackRock Enhanced Government Fund, Inc. (EGF)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, Chief Executive Officer, BlackRock
Enhanced Government Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ, 08536. Mailing
address: P.O. Box 9011, Princeton, NJ, 08543-9011

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 12/31/2008

Date of reporting period: 01/01/2008 - 06/30/2008

Item 1 Report to Stockholders

EQUITIES FIXED INCOME REAL ESTATE LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

**BlackRock Enhanced
Government Fund, Inc. (EGF)**

SEMI-ANNUAL REPORT

JUNE 30, 2008 | (UNAUDITED)

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

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JUNE 30, 2008

A Letter to Shareholders

Dear Shareholder

Throughout the past year, investors were overwhelmed by lingering credit and financial market troubles, surging oil prices and more recently, renewed inflation concerns. Healthy nonfinancial corporate profits and robust exporting activity remained among the few bright spots, helping the economy to grow at a modest, but still positive, pace.

The Federal Reserve Board (the Fed) has been aggressive in its attempts to stoke economic growth and ease financial market instability. In addition to slashing the target federal funds rate 325 basis points (3.25%) between September 2007 and April 2008, the central bank introduced the new Term Securities Lending Facility, granted broker-dealers access to the discount window and used its own balance sheet to help negotiate the sale of Bear Stearns.

As widely anticipated, the end of the period saw a pause in Fed action, as the central bank held the target rate steady at 2.0% amid rising inflationary pressures.

As the Fed's bold response to the financial crisis helped ease credit turmoil and investor anxiety, U.S. equity markets sank sharply over the last six months, notwithstanding a brief rally in the spring. International markets were not immune

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to the tumult, with most regions also registering declines.

Treasury securities also traded in a volatile fashion, but generally rallied (yields fell as prices correspondingly rose), with investors continuing to seek safety as part of a broader flight to quality. The yield on 10-year Treasury issues, which fell to 3.34% in March 2008, climbed up to the 4.20% range in mid-June as investors temporarily shifted out of Treasury issues in favor of riskier assets (such as stocks and other high-quality fixed income sectors), then reversed course and declined to 3.99% by period-end when credit fears re-emerged.

Tax-exempt issues eked out gains for the reporting period, but underperformed their taxable counterparts, as the group continued to be pressured by problems among municipal bond insurers and the breakdown in the market for auction rate securities.

The major benchmark indexes generated results that largely reflected heightened investor risk aversion:

Total Returns as of June 30, 2008	6-month	12-month
U.S. equities (S&P 500 Index)	(11.91)%	(13.12)%
Small cap U.S. equities (Russell 2000 Index)	(9.37)%	(16.19)%
International equities (MSCI Europe, Australasia, Far East Index)	(10.96)%	(10.61)%
Fixed income (Lehman Brothers U.S. Aggregate Index)	1.13%	7.12%
Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)	0.02%	3.23%
High yield bonds (Lehman Brothers U.S. Corporate High Yield 2% Issuer Capped Index)	(1.08)%	(1.74)%

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

As you navigate today's volatile markets, we encourage you to review your investment goals with your financial professional and to make portfolio changes, as needed. For more up-to-date commentary on the economy and financial markets, we invite you to visit www.blackrock.com/funds. As always, we thank you for entrusting BlackRock with your investment assets, and we look forward to continuing to serve you in the months and years ahead.

THIS PAGE NOT PART OF YOUR FUND REPORT

Fund Summary as of June 30, 2008

Investment Objective

BlackRock Enhanced Government Fund, Inc. (EGF) (the Fund) seeks to provide shareholders with current income and gains. The Fund seeks to achieve its investment objective by investing primarily in a portfolio of U.S. Government securities and U.S. Government Agency securities, including U.S. Government mortgage-backed securities that pay interest in an attempt to generate current income and by employing a strategy of writing (selling) call options on individual or baskets of U.S. Government securities, U.S. Government Agency securities or other debt securities held by the Fund in an attempt to generate gains from option premiums.

Performance

For the six months ended June 30, 2008, the Fund returned 9.69% based on market price and 3.64% based on net asset value (NAV). For the same period, the closed-end Lipper Corporate Debt Funds BBB-Rated category posted an average return of (1.25)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund was over 90% Government and AAA-rated debt and over 90% mortgage-backed and U.S. Government securities during the period. This aided relative performance as the Lipper category consists largely of corporate funds, which underperformed higher-quality investments. The Fund also held a position in interest-only obligations, which aided performance as mortgage prepayments slowed. During the period, the Fund's discount to NAV narrowed substantially, which accounts for the difference between performance based on price and performance based on NAV.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange	EGF
Initial Offering Date	October 31, 2005
Yield on Closing Market Price as of June 30, 2008 (\$16.85) ¹	7.48%
Current Monthly Distribution per share of Common Stock ²	\$0.105
Current Annualized Distribution per share of Common Stock ²	\$1.26
Leverage as of June 30, 2008 ³	11%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price.

Past performance does not guarantee future results.

² The distribution is not constant and is subject to change. A portion of the distribution may be deemed a tax return of capital or net realized gain at fiscal year end.

³ As a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage).

The table below summarizes the changes in the Fund's market price and net asset value per share:

	6/30/08	12/31/07	Change	High	Low
Market Price	\$16.85	\$15.84	6.38%	\$17.90	\$15.84
Net Asset Value	\$17.51	\$17.42	0.52%	\$18.10	\$17.26

The following chart shows the portfolio composition of the Fund's long-term investments:

Portfolio Composition			6/30/08	12/31/07
U.S. Government Agency Mortgage-Backed Securities			60%	68%
U.S. Government & Agency Obligations			12	2
U.S. Government Agency Mortgage-Backed Securities	Collateralized Mortgage			
Obligations			11	14
Non-U.S. Government Agency Mortgage-Backed Securities			9	6
Asset-Backed Securities			4	4
Preferred Securities			2	4
Corporate Bonds			2	2

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JUNE 30, 2008

The Benefits and Risks of Leveraging

The Fund utilizes leverage through borrowings or issuance of short-term debt securities. The concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates, which normally will be lower than the income earned by the Fund on its longer-term portfolio investments. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's shareholders will benefit from the incremental yield. Leverage creates risks for shareholders including the likelihood of greater NAV and market price volatility. In addition, there is the risk that fluctuations in interest rates on borrowings may reduce the yield and negatively impact its NAV and market price. If the income derived from securities purchased with

assets received from leverage exceeds the cost of leverage, the Fund's net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, the Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. Under the Investment Company Act of 1940, the Fund is permitted to borrow through the issuance of short-term debt securities in an amount up to 33¹/₃% of its total managed assets. The Fund also anticipates that leverage from reverse repurchase agreements will not exceed 33¹/₃% of managed assets. As of June 30,

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2008, the Fund had outstanding leverage from reverse repurchase agreements of 11% of its total managed assets.

Swap Agreements

The Fund may invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds, or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market

without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

JUNE 30, 2008

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Schedule of Investments June 30, 2008 (Unaudited)

Asset-Backed Securities	Par (000)	Value
Asset Backed Securities Corp. Home Equity Line Trust Series 2006-HE7 Class A2, 2.533%, 11/25/36 (a)	\$ 1,692	\$ 1,652,753
First Franklin Mortgage Loan Asset Backed Certificates Series 2005-FF2 Class M2, 2.923%, 3/25/35 (a)	3,220	2,060,800
GSAA Home Equity Trust Series 2005-1 Class AF2, 4.316%, 11/25/34 (a)	1,961	1,802,199
Securitized Asset Backed Receivables LLC Trust (a):		
Series 2005-0P1 Class M2, 2.933%, 1/25/35	2,000	1,581,574
Series 2005-0P2 Class M1, 2.913%, 10/25/35	1,025	738,000
Soundview Home Equity Loan Trust Series 2007-OPT5 Class 2A2, 3.433%, 10/25/37 (a)	2,500	2,113,281
Total Asset-Backed Securities 4.6%		9,948,607

Corporate Bonds

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Electric Utilities 0.8%		
PPL Capital Funding, 6.70%, 3/30/67 (a)	2,000	1,706,070
Insurance 1.8%		
The Allstate Corp., 6.50%, 5/15/57 (a)	2,000	1,747,448
ZFS Finance (USA) Trust (a)(b):		
Series IV, 5.875%, 5/09/32	500	456,070
Series V, 6.50%, 5/09/67	2,000	1,745,612
		3,949,130
Total Corporate Bonds 2.6%		5,655,200
U.S. Government Agency Mortgage-Backed Securities		
Fannie Mae Guaranteed Pass Through Certificates:		
4.50%, 7/15/23 (c)	8,400	8,116,500
4.66%, 7/01/10	1,883	1,891,244
4.681%, 2/01/13	5,920	5,931,435
5.00%, 4/01/19 10/01/35	29,586	28,561,337
5.24%, 4/01/12	7,939	8,052,443
5.274%, 10/01/35	5,079	5,143,578
5.50%, 7/15/23 7/15/38 (c)	45,858	45,320,848
5.707%, 2/01/12	2,632	2,733,525
6.00%, 7/01/36 7/15/38 (c)	18,591	18,772,843
6.60%, 1/01/11 (c)	5,222	5,421,275
Freddie Mac Mortgage Participation Certificates:		
4.50%, 5/01/34	1,078	1,004,964
5.00%, 5/01/20 8/01/37	8,256	17,626,176
5.50%, 4/01/37	738	727,647
6.00%, 7/15/38 (c)	2,500	2,525,000
6.50%, 7/15/38 (c)	4,200	4,328,625
Ginnie Mae MBS Certificates:		
5.00%, 11/15/35	2,791	2,712,241
5.50%, 11/15/35	2,410	2,404,563
Total U.S. Government Agency Mortgage-Backed Securities 75.1%		161,274,244

See Notes to Financial Statements.

(Percentages shown are based on Net Assets)

U.S. Government Agency Mortgage-Backed Securities Collateralized Mortgage Obligations	Par (000)	Value
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Fannie Mae Trust (d):

Series 353 Class 2, 5%, 8/01/34	\$ 4,280	\$ 1,106,857
Series 367 Class 2, 5.50%, 1/25/36	3,913	1,023,323
Series 378 Class 5, 5%, 7/01/36	4,443	1,075,977
Series 2008-9 Class SA, 4.518%, 2/25/38 (a)	11,411	1,094,307
Series 3006-8 Class HN, 4.768%, 3/25/36	2,047	171,914

Freddie Mac Multiclass Certificates:

Series 232 Class IO, 5%, 8/01/35 (d)	4,569	1,147,334
Series 2611 Class KT, 8.298%, 4/15/17 (a)	610	598,754
Series 2654 Class YD, 5%, 12/15/26 (d)	6,996	429,021
Series 2659 Class IA, 5%, 12/15/21 (d)	202	262
Series 2996 Class SJ, 4.279%, 6/15/35 (a)(d)	3,569	281,838
Series 3042 Class EA, 4.50%, 9/15/35	2,680	2,457,085
Series 3183 Class KI, 6%, 12/15/34 (d)	3,616	394,833

Ginnie Mae Trust (a):

Series 2005-47 Class SP, 3.368%, 8/20/32 (d)	28,256	1,444,592
Series 2005-87 Class C, 5.328%, 9/16/34	10,000	9,852,872
Series 2006-3 Class C, 5.235%, 4/16/39	10,000	9,350,321
Series 2006-30 Class IO, 0.785%, 5/16/46 (d)	8,724	417,147

Total U.S. Government Agency Mortgage-Backed

Securities Collateralized Mortgage Obligations 14.4%		30,846,437
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**Non-U.S. Government Agency
Mortgage-Backed Securities**

Collateralized Mortgage Obligations 7.7%

Banc of America Funding Corp. Series 2007-5 Class 4A3, 4.068%, 7/25/37 (a)(d)	18,662	1,309,623
Banc of America Mortgage Securities Inc. Series 2003-J Class 2A1, 4.076%, 11/25/33 (a)	812	792,203
Bear Stearns Alternative-A Trust Series 2004-13 Class A1, 2.853%, 11/25/34 (a)	706	552,805
Bear Stearns Asset Backed Securities Series 2007-AC2 Class X, 0.25%, 3/25/37 (d)	12,805	126,901
CS First Boston Mortgage Securities Corp. Series 2005-11 Class 6A5, 6%, 12/25/35	1,512	1,497,664
Citi Mortgage Alternative Loan Trust Series 2007-A5 Class 1A7, 6%, 5/25/37 (d)	955	125,831
Citigroup Mortgage Loan Trust, Inc. Series 2005-12 Class 1A2, 2.268%, 8/25/35 (a)(d)	11,800	345,435
Countrywide Alternative Loan Trust Series 2006-41CB Class 2A17, 6%, 1/25/37	2,449	2,253,294
First Horizon Alternative Mortgage Securities Series 2007-FA2 Class 1A11, 4.268%, 4/25/37 (a)(d)	21,531	1,135,857

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Homebanc Mortgage Trust Series 2005-4 Class A1, 2.753%, 10/25/35 (a)	2,655	2,185,097
JPMorgan Alternative Loan Trust Series 2006-S1 Class 3A1A, 5.35%, 3/25/36 (a)	1,289	1,291,381
Residential Asset Securitization Trust Series 2004-A9 Class A3, 4.668%, 12/25/34 (a)(d)	12,797	701,554
Residential Funding Mortgage Securities I Series 2006-S1 Class 1A5, 5.25%, 1/25/36	1,359	1,337,305
WAMU Mortgage Pass-Through Certificates Series 2005-AR7 Class A1, 4.917%, 8/25/35 (a)	2,711	2,683,396
Washington Mutual Alternative Mortgage Pass-Through Certificates Series 2005-8 Class 1A4, 1.868%, 10/25/35 (a)(d)	4,559	53,694
		16,392,040

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Schedule of Investments (continued)

Non-U.S. Government Agency Mortgage-Backed Securities	Par (000)	Value
Commercial Mortgage-Backed Securities 3.5%		
Citigroup Commercial Mortgage Trust Series 2007-C6 Class A4, 5.889%, 12/10/49 (a)	\$ 475	\$ 451,374
Greenwich Capital Commercial Funding Corp. Series 2006-GG7 Class A4, 6.112%, 7/10/38 (a)	1,500	1,479,706
JPMorgan Chase Commercial Mortgage Securities Corp. Class A4 (a):		
Series 2006-CB15, 5.814%, 6/12/43	2,500	2,438,849
Series 2006-LDP7, 6.066%, 4/15/45	2,000	1,964,568
Series 2007-CB20, 5.794%, 2/12/51	1,330	1,261,832
		7,596,329
Total Non-U.S. Government Agency Mortgage-Backed Securities 11.2%		23,988,369

U.S. Government & Agency Obligations

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Federal Farm Credit Bank, 4.55%, 6/08/20	3,500	3,360,697
Federal Home Loan Bank, 5.40%, 10/27/11 (e)	3,525	3,551,134
U.S. Treasury Notes, 2.875%, 1/31/13 (f)	25,235	24,803,254
Total U.S. Government & Agency Obligations 14.8%		31,715,085
Preferred Securities		
Capital Trusts		
Diversified Financial Services 0.8%		
JPMorgan Chase Capital XXII, 6.45%, 1/15/87	2,000	1,714,268
Total Capital Trusts 0.8%		1,714,268
Preferred Stocks		
	Shares	
Commercial Banks 0.4%		
Wachovia Corp. Series J, 8%	40,000	896,800
Diversified Financial Services 0.3%		
Citigroup, Inc. Series AA, 8.125%	25,000	560,000
Total Preferred Stocks 0.7%		1,456,800
Trust Preferreds		
	Par (000)	
Capital Markets 0.7%		
Morgan Stanley Capital Trust VIII, 6.45%, 4/15/67	\$ 2,000	1,464,800
Media 0.8%		
Comcast Corp., 6.625%, 5/15/56	2,000	1,722,400
Total Trust Preferreds 1.5%		3,187,200
Total Preferred Securities 3.0%		6,358,268

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Total Long-Term Securities
 (Cost \$272,614,521) 125.7% 269,786,210

See Notes to Financial Statements.

(Percentages shown are based on Net Assets)

Short-Term Securities	Beneficial Interest (000)	Value
BlackRock Liquidity Series, LLC Cash Sweep Series, 2.56% (g)(h)	\$14,242	\$14,242,197
Total Short-Term Securities (Cost \$14,242,197) 6.6%		14,242,197

Options Purchased	Contracts(i)	
Call Swaptions Purchased		
Receive a fixed rate of 5.495% and pay a floating rate based on 3-month LIBOR, expiring May 2012, Broker Credit Suisse International	18	784,703
Receive a fixed rate of 5.725% and pay a floating rate based on 3-month LIBOR, expiring May 2012, Broker Lehman Brothers Special Financing	18	1,275,309
		2,060,012

Put Swaptions Purchased		
Pay a fixed rate of 5.495% and receive a floating rate based on 3-month LIBOR, expiring May 2012, Broker Credit Suisse International	18	1,122,751
Pay a fixed rate of 5.725% and receive a floating rate based on 3-month LIBOR, expiring May 2012, Broker Lehman Brothers Special Financing	18	689,568
		1,812,319
Total Options Purchased (Cost \$2,777,390) 1.8%		3,872,331

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Total Investments Before TBA Sale Commitments and Options Written (Cost \$289,634,108*) 134.1% 287,900,738

TBA Sale Commitments	Par (000)	
Fannie Mae Guaranteed Pass Through Certificates, 5.50%, 7/15/23 7/15/38	\$ 9,000	(8,881,614)
Total TBA Sale Commitments (Proceeds \$8,865,459) (4.2%)		(8,881,614)

Options Written	Contracts(i)	
Call Swaptions Written		
Pay a fixed rate of 5.4475% and receive a floating rate based on 3-month LIBOR, expiring May 2010, Broker Credit Suisse International	11	(618,189)
Pay a fixed rate of 5.685% and receive a floating rate based on 3-month LIBOR, expiring May 2010, Broker Lehman Brothers Special Financing	11	(1,268,899)
		(1,887,088)

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

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Schedule of Investments (continued) (Percentages shown are based on Net Assets)

Options Written	Contracts(i)	Value
Put Swaptions Written		
Receive a fixed rate of 4.85% and pay a floating rate based on 3-month \$ LIBOR, expiring July 2008, Broker Union Bank of Switzerland, A.G	19	\$ (84,283)

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Receive a fixed rate of 5.4475% and pay a floating rate based on 3-month LIBOR, expiring May 2010, Broker Credit Suisse International	11	(1,047,893)
Receive a fixed rate of 5.685% and pay a floating rate based on 3-month LIBOR, expiring May 2010, Broker Lehman Brothers Special Financing	11	(505,691)
		<hr/>
		(1,637,867)
		<hr/>
Total Options Written (Premiums Received \$2,768,959) (1.6%)		(3,524,955)
		<hr/>
Total Investments, Net of TBA Sale Commitments and Options Written 128.3%		275,494,169
Liabilities in Excess of Other Assets (28.3%)		(60,842,584)
		<hr/>
Net Assets 100.0%		\$214,651,585
		<hr/>

* The cost and unrealized appreciation (depreciation) of investments as of June 30, 2008, as computed for federal income tax purposes were as follows:

Aggregate cost	\$ 289,634,108
	<hr/>
Gross unrealized appreciation	\$ 5,254,436
Gross unrealized depreciation	(6,987,806)
	<hr/>
Net unrealized depreciation	\$ (1,733,370)
	<hr/>

- (a) Variable rate security. Rate shown is as of report date.
- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors. Unless otherwise indicated, these securities are considered to be liquid.
- (c) Represents or includes a "to-be-announced" transaction. The Fund has committed to purchasing securities for which all specific information is not available at this time.
- (d) Represents the interest only portion of a mortgage-backed security and has either a nominal or a notional amount of principal.
- (e) All, or a portion of security, pledged as collateral in connection with open financial futures contracts.
- (f) All or a portion of security has been pledged as collateral in connection with reverse repurchase agreements.
- (g) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Net **Interest**

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Affiliate	Activity	Income
BlackRock Liquidity Series, LLC Cash Sweep Series	\$ (2,865,057)	\$ 139,838

(h) Represents the current yield as of report date.

(i) One contract represents a notional amount of \$1,000,000.

Financial futures contracts purchased as of June 30,2008 were as follows:

Contracts	Issue	Expiration Date	Face Value	Unrealized Appreciation (Depreciation)
52	2-Year U.S. Treasury Bond	September 2008	\$10,929,805	\$ 52,757
191	5-Year U.S. Treasury Bond	September 2008	\$21,191,029	(75,084)
525	10-Year U.S. Treasury Bond	September 2008	\$59,792,442	16,542
14	Euro Dollar Future	September 2008	\$ 3,389,793	7,657
14	Euro Dollar Future	December 2008	\$ 3,377,543	11,157
14	Euro Dollar Future	March 2009	\$ 3,371,418	12,382
15	Euro Dollar Future	June 2009	\$ 3,604,358	13,267
10	Euro Dollar Future	September 2009	\$ 2,398,156	7,219
10	Euro Dollar Future	December 2009	\$ 2,391,656	6,719
10	Euro Dollar Future	March 2010	\$ 2,387,030	6,595
11	Euro Dollar Future	June 2010	\$ 2,621,334	6,979
8	Euro Dollar Future	September 2010	\$ 1,904,324	4,576
8	Euro Dollar Future	December 2010	\$ 1,902,324	4,276
8	Euro Dollar Future	March 2011	\$ 1,901,893	3,707
9	Euro Dollar Future	June 2011	\$ 2,138,990	3,573
Total Net Unrealized Appreciation				\$ 82,322

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Reverse repurchase agreements outstanding as of June 30, 2008 were as follows:

Counterparty	Interest Rate	Trade Rate	Maturity Date	Net Closing Amount	Face Amount
JPMorgan Securites, Inc.	1.208%	2/12/08	TBD	\$12,735,550	\$12,676,019
Lehman Brothers, Inc.	0.95%	2/14/08	TBD	12,826,206	12,779,375
Total				\$25,561,756	\$25,455,394

Swaps outstanding as of June 30, 2008 were as follows:

	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Receive a fixed rate of 4.68528% and pay a floating rate based on 3-month LIBOR Broker, Deutsche Bank AG London Expires September 2009	\$130,000	\$(2,217,101)
Pay a fixed rate of 4.625% and receive a floating rate based on 3-month LIBOR Broker, Deutsche Bank AG London Expires March 2013	\$ 50,000	(848,949)

See Notes to Financial Statements.

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Schedule of Investments (concluded)

Swaps outstanding as of June 30, 2008 (concluded):

	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Receive a fixed rate of 4.17% and pay a floating rate based on 3-month LIBOR Broker, Credit Suisse First Boston Expires June 2013	\$ 50,000	\$ (180,173)

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Pay a fixed rate of 5.705% and receive a floating rate based on 3-month LIBOR Broker, Deutsche Bank AG London Expires June 2017	\$ 50,000	(3,997,669)
Receive a fixed rate of 4.65% and pay a floating rate based on 3-month LIBOR Broker, Credit Suisse First Boston Expires December 2017	\$ 28,600	10,001
Pay a fixed rate of 5.88% and receive a floating rate based on 3-month LIBOR Broker, Deutsche Bank AG London Expires June 2018	\$ 36,076	(2,703,749)
Pay a fixed rate of 5.9575% and receive a floating rate based on 3-month LIBOR Broker, Deutsche Bank AG London Expires December 2037	\$ 25,000	(3,818,552)
Total		\$(13,756,192)

Effective January 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:

Level 1 price quotations in active markets/exchanges for identical securities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the Fund's own assumption used in determining the fair value of investments)
The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the inputs used as of June 30, 2008 in determining the fair valuation of the Fund's investments:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1	\$ 4,084,000	\$ 82,322
Level 2	271,062,793	(13,408,816)
Level 3		

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Total	\$275,146,793	\$(13,326,494)
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* Other financial instruments are swaps, futures and options.

See Notes to Financial Statements.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

JUNE 30, 2008

9

Statement of Assets and Liabilities

June 30, 2008 (Unaudited)

Assets		
Investments at value unaffiliated (cost \$275,391,911)		\$ 273,658,541
Investments at value affiliated (cost \$14,242,197)		14,242,197
Unrealized appreciation on swaps		10,001
Cash		551,875
Investments sold receivable		22,033,260
Interest receivable		2,269,726
Principal paydowns receivable		1,029,140
Swaps receivable		396,688
Margin variation receivable		184,912
Prepaid expenses		10,559
Total assets		314,386,899

Liabilities		
Unrealized depreciation on swaps		13,766,193
TBA sale commitments at value (proceeds \$8,865,459)		8,881,614
Options written at value (premiums received \$2,768,959)		3,524,955
Swap premiums received		764,809
Investments purchased payable		44,436,439
Reverse repurchase agreements payable		25,455,394
Swaps payable		2,306,699
Income dividends payable		214,007
Investment advisory fees payable		166,530

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Interest expense payable	93,032
Other affiliates payable	1,884
Officers and Directors fees payable	280
Other liabilities	45,646
Other accrued expenses payable	77,832

Total liabilities	99,735,314
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Net Assets

Net assets	\$ 214,651,585
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Net Assets Consist of

Par value \$0.10 per share (200,000,000 shares authorized, 12,256,377 share issued and outstanding)	\$ 1,225,638
Paid-in capital in excess of par	226,460,306
Distributions in excess of net investment income	(332,586)
Accumulated net realized gain	3,477,618
Net unrealized appreciation/depreciation	(16,179,391)

Net assets \$17.51 net asset value per share	\$ 214,651,585
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See Notes to Financial Statements.
10 BLACKROCK ENHANCED GOVERNMENT FUND, INC.

JUNE 30, 2008

Statement of Operations

Six Months Ended June 30, 2008 (Unaudited)

Investment Income

Interest (including \$139,838 from affiliates)	\$ 7,296,536
Dividends	54,184

Total income	7,350,720
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Expenses

Investment advisory	932,516
Professional	32,693
Accounting services	24,083
Printing	22,961
Repurchase offer	19,610
Officer and Directors	12,275
Transfer agent	9,662
Custodian	9,359
Registration	4,646
Miscellaneous	19,854
Total expenses excluding interest expense	1,087,659
Interest expense	162,989
Total expenses	1,250,648
Less fees paid indirectly	(1,939)
Total expenses after fees paid indirectly	1,248,709
Net investment income	6,102,011

Realized and Unrealized Gain (Loss)

Net realized gain (loss) from:	
Investments	(173,108)
Futures and swaps	1,849,091
TBA sale commitments	34,624
Options written	554,688
	2,265,295
Net change in unrealized appreciation/depreciation on:	
Investments	(3,044,345)
Futures and swaps	(1,625,220)
TBA sale commitments	341,611
Options written	3,531,914
	(796,040)
Total realized and unrealized gain	1,469,255
Net Increase in Net Assets Resulting from Operations	\$ 7,571,266

See Notes to Financial Statements.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

JUNE 30, 2008

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Statements of Changes in Net Assets