

BlackRock Enhanced Government Fund, Inc.  
Form N-Q  
May 27, 2011

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

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

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: John M. Perlowski, Chief Executive Officer, BlackRock  
Enhanced Government Fund, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055

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

Date of fiscal year end: 12/31/2011

Date of reporting period: 03/31/2011

Item 1 Schedule of Investments

---

BlackRock Enhanced Government Fund, Inc. (EGF)

**Schedule of Investments** March 31, 2011 (Unaudited)

(Percentages shown are based on Net Assets)

	Par (000)	Value
Asset-Backed Securities (a)		
First Franklin Mortgage Loan		
Asset-Backed Certificates,		
Series 2005-FF2, Class M2,		
0.69%, 3/25/35	\$ 3,220	\$ 2,901,168
GSA Home Equity Trust,		
Series 2005-1, Class AF2,		
4.32%, 11/25/34	293	294,137
Securitized Asset-Backed Receivables		
LLC Trust:		
Series 2005-0P1, Class M2,		
0.70%, 1/25/35	2,000	1,542,040
Series 2005-OP2, Class M1,		
0.68%, 10/25/35	1,025	720,981
Soundview Home Equity Loan		
Trust, Series 2007-OPT5,		
Class 2A2, 1.20%, 10/25/37	2,500	1,505,218
Total Asset-Backed Securities – 3.7%		6,963,544
Non-Agency Mortgage-Backed		
Securities		
<b>Collateralized Mortgage</b>		
<b>Obligations — 2.9%</b>		
Bank of America Mortgage		
Securities Inc., Series 2003-J,		
Class 2A1, 3.22%, 11/25/33 (a)	314	306,750
Bear Stearns Alt-A Trust,		
Series 2004-13, Class A1,		
0.99%, 11/25/34 (a)	415	378,784
Countrywide Alternative Loan		
Trust, Series 2006-41CB,		
Class 2A17, 6.00%, 1/25/37	1,011	828,967
Homebanc Mortgage Trust,		
Series 2005-4, Class A1, 0.52%,		
10/25/35 (a)	1,650	1,253,472
Thornburg Mortgage Securities Trust (a):		

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Series 2006-6, Class A1, 0.37%, 11/25/46		1,462	1,442,692
Series 2007-2, Class A2A, 0.38%, 6/25/37		1,006	981,568
WaMu Mortgage Pass-Through Certificates, Series 2005-AR7, Class A1, 2.78%, 8/25/35 (a)		284	280,801
			5,473,034
<b>Commercial Mortgage-Backed Securities — 4.8%</b>			
Bear Stearns Commercial Mortgage Securities, Series 2001-T0P2, Class A2, 6.48%, 2/15/35		297	296,946
Non-Agency Mortgage-Backed Securities	Par (000)		Value
<b>Commercial Mortgage-Backed Securities (concluded)</b>			
Commercial Mortgage Pass- Through Certificates, Series 2007-C9, Class A2, 5.81%, 12/10/49 (a)		\$ 3,250	\$ 3,319,343
Credit Suisse Mortgage Capital Certificates, Series 2007-C5, Class A2, 5.59%, 9/15/40		3,400	3,482,860
LB-UBS Commercial Mortgage Trust, Series 2007-C1, Class A2, 5.32%, 2/15/40		2,000	2,037,173
			9,136,322
<b>Interest Only Collateralized Mortgage Obligations — 0.0%</b>			
CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37		510	48,990
Total Non-Agency Mortgage-Backed Securities — 7.7%			14,658,346
Preferred Securities			
Capital Trusts			
Diversified Financial			

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Services — 1.1%

JPMorgan Chase Capital XXII, 6.45%, 1/15/87	2,000	2,012,798
--	-------	-----------

Electric Utilities — 1.1%

PPL Capital Funding, 6.70%, 3/30/67 (a)	2,000	1,972,500
--	-------	-----------

Insurance — 1.3%

The Allstate Corp., 6.50%, 5/15/67 (a)	2,000	2,032,500
---	-------	-----------

ZFS Finance (USA) Trust V, 6.50%, 5/09/67 (a)(b)	504	505,260
---	-----	---------

Total Capital Trusts – 3.5%		2,537,760
		6,523,058

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated

according to the following list:

GO	General Obligation Bonds	LIBOR	London InterBank Offered Rate
----	--------------------------	-------	-------------------------------

BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011 1

---

BlackRock Enhanced Government Fund, Inc. (EGF)

## Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

	Shares	Value
Trust Preferreds		
<b>Capital Markets — 1.0%</b>		
Morgan Stanley Capital Trust VIII, 6.45%, 4/15/67	80,000	\$ 1,936,800
<b>Media — 1.1%</b>		
Comcast Corp., 6.63%, 5/15/56	80,000	2,082,400
Total Trust Preferreds – 2.1%		4,019,200
Total Preferred Securities – 5.6%		10,542,258
	Par	
	(000)	
Taxable Municipal Bonds		
State of California, GO, Various Purpose 3, Mandatory Put Bonds, 5.65%, 4/01/39 (a)	\$ 1,680	1,761,799
Total Taxable Municipal Bonds – 0.9%		1,761,799
U.S. Government Sponsored Agency Securities		
<b>Agency Obligations — 3.3%</b>		
Fannie Mae, 5.25%, 8/01/12	2,460	2,602,021
Federal Farm Credit Bank, 4.55%, 6/08/20	3,500	3,699,367
		6,301,388
<b>Collateralized Mortgage Obligations — 11.2%</b>		
Ginnie Mae Mortgage-Backed Securities, Class C (a): Series 2005-87, 5.27%, 9/16/34	10,000	10,692,302
Series 2006-3, 5.24%, 4/16/39	10,000	10,588,940
		21,281,242
<b>Interest Only Collateralized Mortgage Obligations — 0.4%</b>		
Ginnie Mae Mortgage-Backed Securities (a): Series 2006-30, Class IO, 0.75%, 5/16/46 (a)	8,015	279,112

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Series 2010-162, Class WI, 4.50%, 6/16/39	2,243	383,741 662,853
<b>Mortgage-Backed</b>		
<b>Securities — 60.5%</b>		
Fannie Mae Mortgage-Backed		
Securities:		
4.00%, 4/01/24 - 10/01/24	7,290	7,526,708
4.50%, 4/01/39 - 5/15/41 (c)	27,000	27,535,640
4.99%, 2/01/13	5,079	5,294,833
5.00%, 11/01/33 - 2/01/40 (d)	20,328	21,406,863
5.24%, 4/01/12 (d)	7,939	8,111,953
5.50%, 7/01/17 - 5/15/41 (c)(d)	27,543	29,626,640
6.00%, 2/01/36 - 3/01/38	10,989	11,981,945
6.11%, 2/01/12	2,315	2,370,546
U.S. Government Sponsored Agency Securities	Par (000)	Value
<b>Mortgage-Backed Securities (concluded)</b>		
Freddie Mac Mortgage-Backed		
Securities, 4.50%, 5/01/34	\$ 791	\$ 811,717
Ginnie Mae Mortgage-Backed		
Securities, 5.00%, 11/15/35	29	30,986
		114,697,831
Total U.S. Government Sponsored Agency Securities — 75.4%		142,943,314
U.S. Treasury Obligations		
U.S. Treasury Bonds:		
4.38%, 5/15/40 (e)	10,000	9,776,600
3.88%, 8/15/40 (e)	12,000	10,738,128
4.25%, 11/15/40 (d)	6,500	6,216,639
U.S. Treasury Notes:		
1.88%, 6/30/15 (e)	29,125	29,109,069
2.13%, 2/29/16	1,245	1,241,109
2.50%, 6/30/17 (d)(e)	18,000	17,803,125
2.63%, 11/15/20 (e)	8,940	8,342,137
Total U.S. Treasury Obligations — 43.9%		83,226,807
Total Long-Term Investments (Cost — \$259,313,585) — 137.2%		260,096,068

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Short-Term Securities	Shares	
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.14% (f)(g)	11,139,924	11,139,924
Total Short-Term Securities (Cost – \$11,139,924) – 5.9%		11,139,924
Total Investments Before Options Written (Cost – \$270,453,509*) – 143.1%		271,235,992
	Notional Amount	
Options Written	(000)	
<a href="#">Over-the-Counter Call</a>		
<a href="#">Swaptions — (0.2)%</a>		
Pay a fixed rate of 0.81% and receive a floating rate based on 3-month LIBOR, Expires 4/27/11, Broker Deutsche Bank AG	\$ 25,000	(5,345)
Pay a fixed rate of 0.90% and receive a floating rate based on 3-month LIBOR, Expires 4/27/11, Broker UBS AG	25,000	(14,800)
Pay a fixed rate of 2.30% and receive a floating rate based on 3-month LIBOR, Expires 4/27/11, Broker Citibank NA	10,000	(22,821)

2 BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011

---

BlackRock Enhanced Government Fund, Inc. (EGF)

## Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

	Notional Amount (000)	Value
Options Written		
Over-the-Counter Call Swaptions (concluded)		
Pay a fixed rate of 2.30% and receive a floating rate based on 3-month LIBOR, Expires 4/27/11, Broker UBS AG	\$ 40,000	\$ (91,284)
Pay a fixed rate of 3.45% and receive a floating rate based on 3-month LIBOR, Expires 4/27/11, Broker UBS AG	20,000	(94,586)
Pay a fixed rate of 4.20% and receive a floating rate based on 3-month LIBOR, Expires 4/27/11, Broker UBS AG	5,000	(47,729)
Total Options Written (Premiums Received – \$269,100) – (0.2)%		(276,565)
Total Investments, Net of Options Written – 142.9%		270,959,427
Liabilities in Excess of Other Assets – (42.9)%		(81,377,403)
Net Assets – 100.0%		\$ 189,582,024

\* The cost and unrealized appreciation (depreciation) of investments as of March 31, 2011, as computed for federal income tax purposes were as follows:

Aggregate cost	\$ 270,454,574
Gross unrealized appreciation	\$ 6,792,924
Gross unrealized depreciation	<u>(6,011,506)</u>
Net unrealized appreciation	\$ 781,418

(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.

(c) Represents or includes a to-be-announced ("TBA") transaction. Unsettled TBA transactions as of report date were as follows:  
Unrealized



Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Counterparty	Market Value	Appreciation	(Depreciation)
CitiGroup Global Markets, Inc.		\$ 853,000	\$ 3,000
Credit Suisse Securities (USA) LLC		\$ 4,766,829	\$(35,983)
Deutsche Bank Securities, Inc.		\$ 1,919,250	\$ 6,469
JP Morgan Securities, Inc.		\$ 959,625	\$ 3,515
Morgan Stanley & Co., Inc.		\$ 1,066,250	\$ 3,750

(d) All or a portion of security has been pledged as collateral in connection with swaps.

(e) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(f) Investments in companies considered to be an affiliate of the Fund during the period, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at December 31, 2010	Net Activity	Shares Held at March 31, 2011	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	13,611,942	(2,472,018)	11,139,924	\$ 3,666

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

BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011 3

---

BlackRock Enhanced Government Fund, Inc. (EGF)

**Schedule of Investments** (continued)

- Reverse repurchase agreements outstanding as of March 31, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date	Net Closing Amount	Face Amount
Barclays Capital, Inc.	0.24%	11/01/10	Open	\$	\$30,399,219
Credit Suisse Securities (USA) LLC	0.16%	1/25/11	Open		10,875,000
Credit Suisse Securities (USA) LLC	0.17%	1/25/11	Open		9,800,000
Barclays Capital, Inc.	0.19%	3/01/11	Open	7,502,477	7,471,875
<b>Total</b>				<b>\$</b>	<b>\$ 58,546,094</b>

- Interest rate swaps outstanding as of March 31, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Depreciation
4.63% <sup>1</sup>	3-month LIBOR	Deutsche Bank AG	3/18/13	\$ 50,000	\$ (3,596,436)
5.71% <sup>1</sup>	3-month LIBOR	Deutsche Bank AG	6/22/17	\$ 25,000	(4,183,661)
5.96% <sup>1</sup>	3-month LIBOR	Deutsche Bank AG	12/27/37	\$ 23,900	(6,619,496)
<b>Total</b>					<b>\$ (14,399,593)</b>

<sup>1</sup>Pays fixed interest rate and receives floating rate.

•Fair Value Measurements - Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are summarized in three broad levels for financial reporting purposes as follows:

•Level 1 — price quotations in active markets/exchanges for identical assets and liabilities

•Level 2 — other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or 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 circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The inputs or methodologies 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 derivative financial instruments and other significant accounting policies, please refer to the Fund's most recent financial statements as contained in its annual report.

The following tables summarize the inputs used as of March 31, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		--	\$ 6,963,544 --	\$ 6,963,544
Non-Agency Mortgage-Backed Securities		--	14,658,346 --	14,658,346
Preferred Securities	\$ 4,019,200		6,523,058 --	10,542,258
Taxable Municipal Bonds		--	1,761,799 --	1,761,799
U.S. Government Sponsored Agency Securities		--	142,943,314 --	142,943,314
U.S. Treasury Obligations		--	83,226,807 --	83,226,807
Short-Term Securities:				
Money Market Funds	11,139,924		-- --	11,139,924
Total	\$ 15,159,124		\$ 256,076,868 --	\$ 271,235,992

4 BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011

---

BlackRock Enhanced Government Fund, Inc. (EGF)

**Schedule of Investments**(concluded)

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments <sup>1</sup>				
Liabilities:				
Interest rate contracts	--	\$ (14,676,158)	--	\$ (14,676,158)

<sup>1</sup> Derivative financial instruments are swaps and options. Swaps are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

BLACKROCK ENHANCED GOVERNMENT FUND, INC. MARCH 31, 2011 5

---

Item 2 Controls and Procedures

2(a) The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Enhanced Government Fund, Inc.

By: /S/ John M. Perlowski

John M. Perlowski

Chief Executive Officer of

BlackRock Enhanced Government Fund, Inc.

Date: May 25, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /S/ John M. Perlowski

John M. Perlowski

Chief Executive Officer (principal executive officer) of

BlackRock Enhanced Government Fund, Inc.

Date: May 25, 2011

By: /S/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of

BlackRock Enhanced Government Fund, Inc.

Date: May 25, 2011