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ACTUALITY AT MOSER BAUER

NORTHAM: In an industrial plant outside New Delhi, workers are making parts for solar panels, one of the new hi-tech boom businesses.

PURI: Financial investors see this as being a sector that's going to grow into many hundreds of millions of dollars in size. Companies that get on today will be the Googles and the Microsofts or, you know, the General Motors of the future.

NORTHAM: Among the investors in this hoped-for goldmine is a little-known organisation which is supposed to use British taxpayers' funds to tackle poverty in the world's most needy countries. Critics say it's now merely using public money in the pursuit of enormous profits. And they want to know more about the subsidiary companies our cash is channelled through.

MOORE: No accounts, no information, what are they hiding?

NORTHAM: This week, File on 4 reports on the new face of Britain's International Development Fund, part-privatised four years ago. We investigate complaints that its fund managers bought their company at a knock-down price and are turning it into a cash machine.

MURPHY: They were basically making money hand over fist from Day One.

LOUGHTON: As an MP, I've had to ask an awful lot of questions and I've received precious few answers.

SIGNATURE TUNE

EXTRACT FROM ARCHIVE RECORDING – FANFARE

NORTHAM: Sixty years ago, the post-war Attlee Government marked the end of Empire by creating an investment fund for some of the world's poorest countries. Today it's known just as CDC, and it has a long history of investing in development.

ARCHIVE CLIP

PRESENTER: They say that water doesn't mix with oil, but here it does. For the young plants tended in the nurseries at the Commonwealth Development Corporation's estate at …. will mature into … trees, bearing oil-rich nuts.

NORTHAM: For decades, the fund was used to support projects, particularly agricultural projects designed to feed the hungry.

TYLER: It was producing 50% of Zambia's soya crop, 40% of the national wheat crop. It was the largest single maize crop in the country. It was also the largest single coffee producer in the country. I remember the chief executive saying, 'Find me another two or three Mpongwes.'

NORTHAM: The Mpongwe estate in Zambia’s copper belt developed to become a vital source of the nation’s food. Established on thousands of acres of dry bush, it used large-scale irrigation with great success. In the early 1990s, CDC’s representative in Zambia, Geoff Tyler, regarded Mpongwe as his model project. In addition to doing good, CDC required Mpongwe to make a return on its investment, which it did.

TYLER: When CDC developed Mpongwe, there were no private investors willing to make the large-scale investments in agriculture in Zambia. The country was seen as too risky and the region was seen as too risky. So CDC was doing something which the private sector wouldn’t do – not because it was a silly thing to do, but just because the private sector perceived the risks – probably correctly – as too high. And yet CDC itself was willing to accept what one might call reasonable rates of return. I mean, Mpongwe has generated rates of return in the order of 8%-10% on capital employed. A private sector investor looking to invest in a risky part of Africa would not consider those returns satisfactory.

NORTHAM: What sort of return would they be looking for?

TYLER: 25%-35%.

NORTHAM: Per year?

TYLER: Yes.

NORTHAM: But you were looking for 8%-10% and that’s what you got?

TYLER: Yes.

NORTHAM: But would that kind of return still satisfy the management at CDC? Four years ago, the organisation was radically reformed and partly privatised. Former officials detect a new commercial ethos, with talk of projects now deemed old hat - today the talk is of deals. Investments in estates like Mpongwe belong to yesteryear. Which is literally true, since CDC’s fund management arm has this year sold off

NORTHAM cont: the last of its holdings in the Mpongwe Development Company. Three months ago, that went into liquidation. Sir Michael McWilliam has written the history of CDC and sees a substantial departure from its traditions.

MCWILLIAM: What has been lost is a perception that Britain had a development organisation that was dedicated to identifying, promoting and to some extent managing projects in poorer Commonwealth countries and setting standards of corporate governance in so doing, and in leading the way for other investors to take an interest in these poorer Commonwealth countries. There was a big emphasis on agricultural projects in the early days, and these are long maturing, long development period projects, and in simplistic terms it's hard to envisage CDC planting a tree again.

NORTHAM: Because they want a quicker return?

MCWILLIAM: Because they want projects that will mature more quickly than those kind of agricultural tree crop projects.

NORTHAM: There are still CDC investments in Africa. But they're not always along traditional lines.

ACTUALITY AT THE PALMS

NORTHAM: In a smart suburb of Lagos, Nigerians are flocking to the modern shopping mall known as The Palms. It's a 12-acre development, with parking for more than 700 cars, a multi-screen cinema, a branch of Shop-Rite, the South African supermarket, and a range of international retail outlets.

TRADER: Here we sell high end electronics, ranging from home theatres to plasma screens, generally entertainment features in the home and in the car.

NORTHAM: The Palms investment has won an international award as the first world-class retail centre in Nigeria. It's the dream of an entrepreneurial property developer – Tayo Amusan – who wanted to bring his fellow countrymen the experience of what's called 'shopertainment' on their own doorsteps.

AMUSAN: It was a vision that I had years ago, and whenever you travel back into the country, from England especially, you get into Heathrow airport, you will see Nigerians with suitcases and suitcases and suitcases of things coming in. That was what really gave me the guts, why can't we buy these things in our country?

NORTHAM: Mr Amusan's dream became a reality only when, thanks to CDC, the British Government's development fund agreed to underwrite the $40 million development.

AMUSAN: I basically went all over the world, you know, all over the world from America to OPEC to IFC. One of the most difficult things to be in the world is to be black and Nigerian, you know, with a Nigerian passport. Nobody believes you. For CDC to even agree to looking, you know, you really do have to give them great credit for that.

NORTHAM: Would you have been able to build the shopping mall without the involvement of the British CDC?

AMUSAN: At that time I would say no. It would have been almost impossible. Nothing is impossible to me, but it would have been almost impossible.

NORTHAM: Mr Amusan says the benefits of his enterprise are now widely-felt, as some local businesses have found new expanded markets and made their founders millionaires. But among campaigns for the developing world, critics complain that The Palms shopping centre does little to help the poor of Nigeria – people who struggle to buy food let alone the latest electronics. John Hilary, who runs War On Want, argues that this is no way to use UK taxpayers' money.

HILARY: The Palms shopping centre is designed to cater for the wealthiest, most affluent Nigerians who can go and shop there, have this new form of entertainment-cum-shopping. But it's not actually going to be providing very much for the poor at all. If CDC's money is meant to be going towards development and poverty reduction it's unclear really how that is going to be achieved through a shopping centre in Lagos.

NORTHAM: Well, a shopping centre creates jobs and jobs mean that wealth cascades down the social scale.

HILARY: If you think of the people who are having jobs there, they are not going to be the poorest Nigerians by any any stretch of the imagination. It's going to be those who've got the presentation and the skills and the education to be able to present themselves in this swanky new modern shopping centre. That's a million miles away from the rural poor who are struggling to make a living, or indeed the poor in the slums of Lagos who are desperate for a living. If you look at the type of businesses which are actually going to The Palms centre, it's international brands like Motorola, like Wranglers. Where are the profits going to go? Are they going to stay in Nigeria or are they going to be repatriated straight back to the home countries of those businesses? Again, these are key things in terms of development and poverty reduction.

NORTHAM: Now that The Palms is established as a going concern, CDC's start-up investment has been sold to the founder, Mr Amusan. He's happy about the deal and so, apparently, are they.
Did they make a profit on that sale?

AMUSAN: A huge profit, I may say.

NORTHAM: Can you tell me how much?

AMUSAN: Good profit. No, I can't say. I have a clause not to reveal what exactly it is that they made, but I think they were quite happy, if I may put it that way.

NORTHAM: It was a huge profit?

AMUSAN: Well, I think it was a good profit, good profit, if I may say it that way.

NORTHAM: The fear of some outsiders is that the culture of privatisation has led CDC managers to lose sight of development goals and pursue

NORTHAM cont: investments which will bring the fastest, biggest financial returns to the company. Tim Loughton is a former city fund manager at a British merchant bank. He's now a Conservative MP, and finds this a matter of real concern to some of his constituents.

LOUGHTON: CDC has a mission to invest in developing countries, and as they are part of the Government, part of the International Development Department, one would expect them to concentrate investments on where they can do the most good in impoverished countries, which are not always the best commercial prospects. And if one then looks at some of the investments that CDC has been making, these are very large companies. They've invested in the second largest egg producer in China, one of the largest banks listed in Nigeria, which is also listed in London. I think most people who take an interest in international development would expect British taxpayer's money to be invested in poorer countries, in those projects which just can't get access to capital or normal commercial markets, not in mega corporations that you and I could invest in as investors in stocks and shares. So there is a serious question mark here over whether taxpayers' money is being invested in the most deserving causes, or is taxpayers' money being used to invest in the most commercially attractive investments which maximise the return to the CDC and the Department For International Development.

NORTHAM: And what's your suspicion?

LOUGHTON: Well, my suspicion is that this is a pretty low-risk portfolio.

NORTHAM: The question of priorities for CDC investments comes sharply into focus in the case of one of India's thriving manufacturers.

ACTUALITY AT MOSER BAER

WORKER: We are below the silicon … in this side is the boxes, and there are five picking arms. These picking arms pick up the … from the boxes and place it on a conveyer.

NORTHAM: Workers at Moser Baer's manufacturing plant near New Delhi, have helped make their company one of the world's leading suppliers of CDs and DVDs. Moser Baer earns more than £250 million a year and has interests in Japan, Europe and America. Now it's expanding its production into another rapidly-growing field - making devices called photo-voltaics for use in solar panels. The potential global market is seen as immense, with renewable energy a current Holy Grail. In India – blessed with abundant sunlight and enjoying low labour costs – the photo-voltaic or PV business is seen as a sure-fire winner by Moser Baer's Executive Director, Ratul Puri.

PURI: We are very confident of the photo-voltaic market. We have cumulatively invested so far close to about $400 million into the PV business. We have investment plans of close to $3.2 billion over the next three years into the photo-voltaic business.

NORTHAM: $3.2 billion?

PURI: That's correct.

NORTHAM: That's about £1.5 billion.

PURI: That's right.

NORTHAM: Your investors in this were led by a private equity investor in India called IDFC. What do they see as the prospects in this business then

PURI: What attracts financial investors to the photo-voltaic sector is always the growth and the potential that the sector has, both on a global platform and specifically looking at India. IDFC and other financial investors who invested in the photo-voltaic business see this as being the early days of a sector that's going to grow into becoming many hundreds of billions of dollars in size. Companies they bet on today will be the Googles and the Microsofts or, you know, the General Motors of the future.

NORTHAM: IDFC, India's leading private equity company, assembled a group of investors in Moser Baer's expansion into photo-voltaics. Among them

NORTHAM cont: is Britain's publicly-owned CDC, which has committed $35 million. CDC says that without such expansion capital Moser Baer won't be able to make solar cells a viable business. 'It is', they say, 'an excellent example of what we are meant to do.' But is CDC's relatively modest contribution of just over 1% of the total expansion plan in any way vital to the success of the project?
If CDC had not put this money into your investment, what would have happened? Would you still have been able to go ahead without them?

PURI: We are committed as Moser Baer to invest into our photo-voltaics subsidiary. If for some reason we were not able to raise capital from external sources, we would have invested the money ourselves into it and taken it forward. So we are committed to the business, we will invest whatever capital is needed to grow this business and we will welcome participation from strategic and financial investors along the way.

NORTHAM: But that isn't vital to your success – you could succeed without them?

PURI: It's a constituent in our success. But we are committed to the business and so we will make whatever financial or other contributions that are needed to be made to allow our solar photo-voltaic subsidiary to grow.

NORTHAM: So if Moser Baer would expand anyway, with or without the CDC's investment, is this the best way to use a fund which was created to kick-start difficult developments? We wanted to find out.

ACTUALITY ON STREET

NORTHAM: Here on Victoria Street, along the road from the Houses of Parliament, is a bright office building facing the grand entrance to Westminster Cathedral. This is where CDC runs its operation from. We've asked CDC for an interview with its Chief Executive and when we did, we were immediately told that this would be possible and a date was set for us to meet him for a recording. Then, a few days later, after discussion with the Department For International Development, CDC decided to cancel our interview. So the Chief Executive isn't available after all and there's no-one to put CDC's case in person.

NORTHAM cont: In the absence of anyone to interview, we asked CDC whether it does follow an investment policy based on achieving high rates of return, like any private equity company, rather than maximising development in the public interest. In a statement, CDC suggests that there's simply no conflict of priorities between maximising financial returns and maximising development:

READER IN STUDIO: This question pre-supposes that profitable businesses do not have positive development impact. In fact, the opposite is the case. CDC is entirely about development impact and we achieve that by supporting growing businesses and improving productivity.

NORTHAM: In the House of Commons Select Committee on International Development, there has been relatively little discussion of CDC in recent years. When the subject has come up, the question has been asked whether it is investing in the right things - projects which genuinely need public finance. The Committee's chairman, Malcolm Bruce MP, wants to ensure that they follow the Government's rules.

BRUCE: 70% of their investment has to be in the poorer countries, that's countries with a per capita income below $1,750.

NORTHAM: Those countries include China and India …

BRUCE: They do, yes.

NORTHAM: … and include, for example, a company we've looked at which makes electronic devices – CDs, DVDs and is now moving into solar panel parts, and this is a company which tells us it's already doing exceedingly well around the world and would have gone ahead with its investment whether it got money from CDC or not. What's the justification for putting public money in there?

BRUCE: That's a very fair and interesting point, because clearly what DFID should be interested in means the Committee would be interested in is the extent to which CDC is enabling things to happen that would not otherwise happen.

NORTHAM: None of that is true in the case of Moser Baer, which tells us they would have gone ahead with this investment anyway.

BRUCE: I mean, that being the case, it doesn't mean that CDC have misallocated public funds. What it does mean is they haven't delivered the best outcome in development terms, and of course that is a pointed issue.

NORTHAM: Quite. Is it a proper use of public money that it's gone where it has?

BRUCE: Well, I would suggest it's operating within the parameters that the Department have set, so the question that might arise then is whether the Department needs to set tighter guidelines in order to focus them even more sharply.

NORTHAM: Another aspect of CDC's investment in Moser Baer raises further criticism. The fund through which it invested is incorporated in an area of India which is virtually foreign territory - duty-free and with special low tax arrangements.
And this is no aberration. When Whitehall recently published a list of CDC's own subsidiary companies - 78 of them - it included many based in well-known tax havens – 15 in Mauritius, 8 in Bermuda, others in Jersey, the British Virgin Islands and the Cayman Islands.
At first sight, this seems to reflect a different philosophy at CDC headquarters from the one the Chief Executive outlined to the Select Committee when he spoke about the tax responsibilities of companies CDC invests in. He said:

READER IN STUDIO: The norm of our business is that once they generate profits they ought to pay tax. Indeed, part of the development thesis here is that by employing people, by generating profits on which taxes are then paid, which is then income for Government, that is creating the wealth that will defeat poverty.

NORTHAM: Yet looking through the list of CDC's own subsidiaries, the chartered accountant Richard Murphy, of a development campaign called the Tax Justice Network, suspects a different principle at work.

MURPHY: It's very hard to believe that this structure is an accident. This is deliberate, it is designed to make sure that CDC does not pay tax overseas.

NORTHAM: Doesn't it make sense, if you've got limited funds for development of the poorest countries in the world, you don't want to give some of them away in tax. Don't they have a duty to minimise their tax burden?

MURPHY: That theory of companies is based, of course, upon the fact you have private shareholders. This company is owned by the Department for International Development, it is pursuing a development agenda. Our development agenda is to help the developing countries of the world to bring themselves up towards our standards of living and governance and government style. And here we have a company owned by the UK undermining the taxation revenues of the developing countries of the world. That makes no sense at all, that's not its duty; it is actually preventing the creation of effective, proper, accountable taxation systems in those countries.

NORTHAM: Are you able to estimate what percentage of its overall spending CDC pays in tax anywhere in the world?

MURPHY: Looking at the accounts of CDC itself, the tax rate is under 2% and that is entirely on its overseas profits. Looking at some of the subsidiaries - and I've seen some subsidiary accounts - again they imply tax rates of under 2%. I question that as a development strategy. We need to support these countries in collecting tax to build sustainable governments.

NORTHAM: In Britain, CDC is exempted from taxation by the Government. We wanted to ask its Chief Executive about his policy on paying taxes to governments abroad. He wasn't available for interview. In its statement, CDC says that the businesses it ultimately invests in do pay a total in excess of $500 million in taxes to their governments. But as to CDC's use of tax havens to shelter its own profits on the sale of investments, the company says:

READER IN STUDIO: CDC does have some investment holding subsidiary companies, some of which may be incorporated overseas to ensure maximum tax efficiency. This is entirely normal and responsible tax planning.

NORTHAM: But does the Chairman of the Parliamentary Select Committee, Malcolm Bruce MP, worry that this ‘entirely normal and responsible’ approach denies taxes to governments in developing countries which need them?

BRUCE: It depends. I mean, if it’s purely an operation designed to invest in one country that is locating itself outside to avoid tax, I would agree with you, and if that’s ….

NORTHAM: That happens in, for example, Mauritius, happens in British Virgin Islands, happens in the Cayman Islands …

BRUCE: No, no. I’m aware of the countries which they are using. What I’m saying is, we’ve asked DFID for their view on this, and the reply that they get is that this is necessary because they are trying to attract investment funds to add to their own funds, and that if they don’t have those tax benefits, they wouldn’t get them and consequently they wouldn’t be able to invest as substantially and wouldn’t get as big a return and, they wouldn’t argue, wouldn’t help to expand the economies of the country they’re investing in as fast or create the jobs and so forth.

NORTHAM: It may be the way that private equity funds work, but is it right that public money should be used in this way?

BRUCE: Well, I have to say I think your questioning implies that there’s somehow something wrong with using private sector development to deliver economic benefits to the poorest countries.

NORTHAM: No, I’m asking simply about tax havens.

BRUCE: Well, I think if you look at the successful countries that have come out of poverty in the last ten or fifteen years, many of them in Asia, I think you will find that they – and many of their domestic established countries – are using similar instruments to those that CDC are using.

NORTHAM: The Liberal Democrat spokesman on International Development, Michael Moore MP, wants to discover if the benefits of CDC's use of tax havens, as identified by Malcolm Bruce, outweigh the costs to developing countries' governments, which trouble Richard Murphy. In order to check this, Michael Moore has asked in Parliament for copies of the accounts of all CDC's subsidiary companies. To his surprise, as an accountant himself, he's been told by the Secretary of State that those accounts are not available from CDC.

MOORE: I think it is very important that we see those subsidiary accounts so that we can understand why they have been chosen to be registered in particular countries. Is it for ease of investment, is it for preferential taxation treatment, is it so that they can serve their developing world customers or stakeholders better? Without that information we cannot make those policy assessments.

NORTHAM: Those accounts, you have been told, are not available at CDC in London.

MOORE: I'm staggered that I have been repeatedly told that nobody in the Department For International Development or at CDC, the parent company, has any of these sets of accounts. I think it is a basic point in any accounting exercise that the head office would have copies of the subsidiary accounts. It's a very strange situation not to have them. For my sins I spent nearly a decade going through company books of one kind or another. I can't remember a single occasion when the parent company didn't have all sets of all its subsidiary companies' accounts in their possession.

NORTHAM: And yet the Secretary of State for International Development has told you that the information, the accounts are not available.

MOORE: I am finding it very hard to believe that, and I hope that he is finding it hard to believe and is asking serious questions of CDC. No accounts, no information; what are they hiding?

NORTHAM: We asked CDC why, according to the Government, the accounts of its subsidiaries are not available to present to Parliament. In its statement, the company appears to say that it does receive these documents and can make some of them public.

READER IN STUDIO: Once we receive audited statutory accounts from our subsidiaries, these are generally available to the public upon request. However there are sometimes reasons to keep these confidential. Our procedures are in line with normal accountancy practice.

NORTHAM: This leaves Michael Moore MP perplexed since it seems to him to contradict what the Secretary of State has told Parliament. He's seeking clarification as a matter of urgency. The air of mystery, even secrecy, surrounding aspects of the new CDC has only increased the feeling that it is operating on principles which are almost indistinguishable from those of any conventional private equity company. This concern is most acute about an arm of CDC which was part-privatised in 2004. A partnership of fund managers was set up under the name ACTIS. And from the moment of its birth, it has aroused controversy. This new company was created to manage public funds of over £1 billion. A majority stake in it was bought by the partners without competition for just £373,000 – the price recommended by an independent valuation. The deal attracted criticism - among others from the former city fund manager, Tim Loughton MP.

LOUGHTON: I'm obviously concerned – and constituents have expressed concern to me - about the apparently knock-down price at which ACTIS was floated from the CDC, and effectively a majority stake sold to its management. The management paid £373,000 in 2004 for 60% of the company. A few years later that company's clearly worth many millions of pounds. Questions need to be asked as to whether the taxpayer sold a stake in a business that is turning out to be quite an attractive business at too low a price. And it's not only the price that was paid for it, but in effect, when ACTIS was floated out of CDC, there was a post-transaction bonus of some £2.3 million paid to the senior management – the same senior management who paid £373,000 for their stake in the company. So they didn't actually have to risk any of their own money. They were using taxpayer's bonuses to buy a majority stake in a formerly taxpayer-owned business.

NORTHAM: So they paid £373,000 but got back in bonuses £2.3 million?

LOUGHTON: Clearly the bonuses were not directly intended to buy the business, but they were contemporaneous and therefore it was a taxpayer bonus that enabled them easily to pay for the stake in the business that they then secured, with quite a lot beside to pocket as well. So quite nice work if you can get it.

NORTHAM: Complaints that the majority stake in ACTIS was bought at a knock-down price have continued to grow since figures emerged showing that from the start ACTIS projected profits of almost £30 million over five years. This projection turned up in ACTIS' Business Plan of April 2004, which was placed in the House of Commons library and went largely unnoticed until it was sought out by a reporter working for Private Eye. Richard Brooks was startled to find such large profits forecast, since he had understood that the Government expected much more modest returns in ACTIS' early years. He'd got that impression from a statement made the month before the Business Plan by the then Secretary of State for International Development.

BROOKS: Shortly before the sale in March 2004, Hilary Benn answered a question in Parliament in which he said that the fees that ACTIS would be paid by CDC would equate to the anticipated total operating costs of ACTIS on an approximately break-even basis over the first five years.

NORTHAM: What did that mean?

BROOKS: That means that he wasn't expecting ACTIS to make any profit for five years. The business plan shows that in those first five years, the total expected profits for ACTIS were $55 million – around £30 million - slightly different from breaking even.

NORTHAM: Is it possible to reconcile what the Secretary of State said with what was in the ACTIS business plan

BROOKS: No, they couldn't be reconciled at all. None of this was put to Parliament. None of this was known by anybody who wanted to scrutinise this deal and it's only now emerging.

NORTHAM: Looking at these profits that were projected in 2004, when ACTIS was set up, has ACTIS actually made profits on the scale that were anticipated?

BROOKS: The ACTIS profits have exceeded the projections quite significantly. In 2006, the latest figures we have, they made profits of $18 million against a predicted $9 million.

NORTHAM: So double?

BROOKS: In that year, that’s right.

NORTHAM: File on 4 wanted to ask Hilary Benn whether he knew about these substantial profit projections when he told Parliament ACTIS was expected to break even. His former Government department, International Development, answered for him in a statement. It says:

READER IN STUDIO: ACTIS operates on a break-even basis and after remuneration of members is yet to make a profit.

NORTHAM: But bizarrely, having said that ACTIS doesn’t make a profit, the Government’s own statement goes on to praise:

READER IN STUDIO: … their strong record of profitability.

NORTHAM: This confusion is only heightened in ACTIS’ most recent official accounts, which show what they call a ‘Profit’ of $18 million. It seems that this muddle can only be explained by analysing more closely what the Government says in its statement to File on 4. There’s a crucial qualifying clause.

READER IN STUDIO: ACTIS operates on a break-even basis and, after remuneration of members, is yet to make a profit.

NORTHAM: Which apparently means that, once the 20-odd partners in ACTIS have shared out millions in profits, there's nothing left. On this basis, the Government claims that the company is merely breaking-even. The amount of money the managers of ACTIS are making out of the business remains one of the most contentious areas. The company tells File on 4 that its partners' remuneration is 'not out of line with industry benchmarks' and it is not its policy to disclose the amounts paid to individual members beyond what's required by law. But combing through the records which are publicly available, Richard Brooks of Private Eye has come across some very large numbers.

BROOKS: Paul Fletcher, who is the senior partner in ACTIS, received $2.1 million, which was over £1 million in 2006.

NORTHAM: How do you know that?

BROOKS: That's from the ACTIS accounts from Companies House.

NORTHAM: So if you look through the accounts, page 21, the profit allocation to the member with the largest entitlement in 2006 was $2,166,000.

BROOKS: That's right and that's Paul Fletcher.

NORTHAM: How much had he got previously?

BROOKS: In 2002, when he was Chief Executive of CDC, he was paid £231,000 - that's round about the time that the plan to sell off the fund management arm and create ACTIS was drawn up. So from 2002 to 2006, in a space of four years, his pay quadrupled.

NORTHAM: To over £1 million in one year.

BROOKS: That's right - and that's just the pay that we know about. The senior managers in ACTIS are entitled to shares in profits of the sales of any of CDC's investments up to 20%. Unfortunately they won't tell us how much that has netted.

NORTHAM: Have you asked?

BROOKS: Yes, I made a freedom of information request for this information back in April and have just been told that I can't have the information, because it is not industry practice to disclose details.

NORTHAM: Critics complain that there's a general lack of openness about the affairs of ACTIS and CDC. The Conservative MP Tim Loughton is no opponent of privatisation, as a former city fund manager himself. But he does want to know what's happening with public money.

LOUGHTON: I've asked a great many parliamentary questions to the Department For International Development, and I've had an awful lot of rather evasive answers. Clearly there is a degree of commercial confidentiality that needs to be attached to a business competing with other fund managers, but this is a business which is still 40% owned by the taxpayer, therefore the Government has a duty of care to its shareholders – ie, the taxpayer – to account to them for what the business is worth and how it is operating. And a lot of information has been denied to myself and other people who have asked for it. I do think that the Government has a duty to be rather more transparent with how this business is doing, who is benefiting and profiting from the business as well as the original value at which it was sold.

NORTHAM: And as an MP, that's not clear to you?

LOUGHTON: As an MP, I've had to ask an awful lot of questions and I've received precious few answers.

ACTUALITY OUTSIDE ACTIS HQ

NORTHAM: This is one of the smartest modern office developments in the country. It overlooks the River Thames, just along from Tower Bridge and Terence Conran's famous riverside restaurant, and the new building housing the staff of the Mayor of London. It's a tall palace of green glass, and filling the top floor it's here that

NORTHAM cont: ACTIS has its international headquarters. We wanted to ask ACTIS about the way it was set up, the price the managers bought the business for, the amounts they pay themselves now and the use they make of public money. But when File on 4 asked ACTIS for an interview, the company told us it did not want to take part in this programme. When I asked why, they simply said they didn't think there was a reason to participate.

The financial arrangements at the creation of ACTIS have now attracted the attention of the National Audit Office, which is to examine the reasonableness of the sale price and the profit-sharing arrangements. And when the National Audit Office comes knocking, you can't say no.

SIGNATURE TUNE