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Biti says revenue inflow rises to US\$70m

by *Cuthbert Nzou*

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HARARE – Government revenue has gradually risen to US\$70 million in June while the economy has grown by 1,1 percent between January and April as the country continues to stagger through the decade long recession.

Finance minister Tendai Biti told investors at a conference in Harare yesterday that revenue collected from taxes has jumped from US\$66,8 million collected in May to the new figure, indicating steady economic growth since the formation of the inclusive government in February.

With entirety of the civil service outside the minimum tax threshold of US\$150 per month, government revenue has grown from US\$4,7 million in January, US\$15 million in February, US\$44 million in April and US\$51,6 million the following month.

Altogether government has collected revenue amounting to US\$185,3 million during the first half of the year.

Biti attributed the surge to a 30 percent growth in the real sector – mining, manufacturing and tourism.

Biti also told investors that capital markets had also grown as reflected by the 66 percent growth of the Zimbabwe Stock Exchange during its few weeks after resumption of trade in foreign currency in February.

Biti also advised the private sector to participate in productive capacity and infrastructural development through Public Private Partnership and Build Operate Transfer programmes.

Biti's remarks came two weeks before his maiden midterm fiscal policy statement, which is expected to introduce new tax measures amid reports that government would introduce a proper remuneration for the civil service. The introduction of proper salaries on government workers will result in the suspension of US\$100 allowances paid across the board since beginning of the year.

Sources said the Finance Minister is also expected to announce the new Reserve Bank of Zimbabwe board after the tenure of the existing board expired. The announcement of the new board could be part of Biti's Cabinet approved plan to reform the central bank.

It is yet to be known whether Biti would adopt advice given to

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government by applied economics professor Steve Hanke who met Prime Minister Morgan Tsvangirai in Washington during his three-week tour to re-engage with the United States and Western Europe.

Hanke, a renowned monetary expert with the Cato Institute of the John Hopkins University advised government through a pre-recorded video at the conference to adopt wide-ranging reforms modelled along those of Singapore after independence in 1964.

"The first thing I would like to do is focus a little bit on the vision thing, that the vision I think will be appropriate for the economic sphere for Zimbabwe and to do that I will be talking about Singapore," Hanke said

He said government could also adopt a "flat tax" regime of about 10 percent to stimulate economic activity.

"The only thing I can say in terms of policy are two things that government officials should stop talking about going back to the Zimbabwe dollar, essentially you now have the world's premier currency in place. It's working now and it has stabilised the economic situation immediately. I think as far as the eye can see you should retain dollarisation now. It should be retained in an official way."

Foreign aid, Hanke said had been a "general failure" due to corruption and mismanagement of "privileged contractors".

Paul Robinson, an investment analyst working for Laurium Capital said South African investors were keen in investing in consumer-focused listed companies with bigger and more liquid shares.

"Investors are currently waiting and seeing the economic developments in Zimbabwe but they remain cognisant if not missing investment opportunities. We are also eager to make comparative analysis of financial results for listed companies now that reporting is now being in foreign currency." – ZimOnline

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