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# IMPORTANT ARTICLES OF THE DAY

**MUST READ  
FOR CLAT  
ASPIRANTS**

A photograph showing a white mug, a pair of glasses, and a document with the word 'ARTICLES' written on it. The document is the central focus, with the word 'ARTICLES' written in a large, bold, serif font. The background is a blurred image of a desk with a blue surface.

**ARTICLES**

**May 18, 2021**

*For Educational Purpose only*

**EDITORIAL – 1**

**Counting the COVID toll in India**

*In order to understand the pandemic's extent, a district-wise estimation is the best bet to arrive at a national total*

Last year, in these columns, I wrote about the many challenges in estimating deaths due to COVID-19 in India ([https:// bit.ly/2Rs4hAZ](https://bit.ly/2Rs4hAZ)). While the challenges remain, the need for estimating COVID-19 deaths globally and in India to understand the magnitude of the pandemic is still there. Since direct counting of COVID-deaths is problematic, the approach most commonly used is the “excess” death approach which attributes all deaths beyond what is considered “normal” for that area and time to COVID-19. It includes deaths directly caused by COVID-19 as well as deaths indirectly caused due to the impact on access to care for other diseases during the pandemic and the lockdown.

**Global estimates released**

While official or unofficial estimates are available for some countries, two estimates have been released globally. Based on the World Mortality Dataset — the largest international dataset of all-cause mortality encompassing 89 countries — researchers estimated excess mortality and reported that it exceeded the number of reported COVID-19 deaths in these countries by over 1.6 times. It also said that this ratio is likely to be conservative as undercounting is likely to be much higher in countries which are not part of this dataset (<https://bit.ly/3eQ3Bye>).

The Institute for Health Metrics and Evaluation (IHME), a global leader in this area, recently re-leased its estimates that put the global toll of COVID-19 deaths by May 3, 2021 at 6.93 million, a figure that is more than two times higher than the reported number of deaths of 3.24 million. India accounted for about 10% of them at 6,54,395 (only second to the United States with an estimated 0.9 million) which is about three times higher than the reported official figure (<https://bit.ly/3omaKtg>).

The lower number of reported deaths does not imply under-counting, deliberate or otherwise. Even if there had been no underreporting of COVID deaths in a country, this ratio is likely to be above one as excess deaths include not only those that are directly caused by COVID-19 and likely to be reported but also those where deaths occurred due to other diseases, either due to a lack of care or as a consequence of COVID-19. It is very difficult to tease out these proportions. We might have a better sense if we look at cause-specific deaths. But that kind of data is still more difficult to get.

**WHO classification**

The World Health Organization classifies countries into three categories based on their data availability for COVID-19 excess death estimation. First are those countries that have good data available and excess death estimation is possible (most countries in the above mortality dataset). Second is the group of countries whose data, though not good, is acceptable for use through some process of harmonisation or adjustment for incompleteness leaving the third category of countries where the data on deaths are not available or usable, forcing the adoption of an indirect approach of using data from other countries or a multivariate approach using covariates to arrive at these estimates. India and China, which together constitute a third of the world population, are currently in category three, and unless we manage to provide some source of usable data, India will have to be content with an estimate generated by an external agency using an indirect approach.

**Data for India**

So, what do we know about the COVID-19 mortality in India? Data from Kerala, which is among the States with a very good vital registration system, showed that there has been a decline in deaths in 2020 as compared to previous years (<https://bit.ly/3eTBaj3>). While it will need a closer look, under-registration of all deaths due to the pandemic is a possibility.

Data released by the Municipal Corporation of Greater Mumbai, shows 22% excess deaths during 2020 in Mumbai region ([https:// bit.ly/3hwwHEX](https://bit.ly/3hwwHEX)). An analysis of data from a panel of 2,32,000 households maintained by the Centre for Monitoring Indian Economy Pvt Ltd (CMIE) found that deaths from all causes between May and August 2020 numbered almost twice as many as compared with the same period in past years (<https://bit.ly/3wepv4m>).

These are crude estimates based on the number of extra deaths reported as compared to previous years. Estimation of excess deaths needs a more sophisticated statistical approach which first defines a baseline, before estimating excess. The simplest approach for defining a baseline would be estimation of mean and standard error based on data for the last five years to provide a plausible range for a baseline. We could then see whether the registered deaths are beyond that range to estimate “excess” deaths. There are other statistical approaches which use different data distribution assumptions to define a base- line. This analysis should be done by age and sex on a weekly or monthly basis and correlated to the peaks of the epidemic.

My team analysed data from the Civil Registration System (CRS) of district Faridabad in Haryana, which has been reporting 100% registration of deaths in the past few years. We found that 7% higher deaths have been reported in 2020 as compared to 2016-19, with a 17% increase in deaths above 60 years. By applying well-accepted statistical techniques, we found that the period of excess deaths correlated with the pandemic peaks in the districts. Our range of estimates for excess deaths by different approaches resulted in a ratio of re- ported to excess death estimate to be between 1.8 to 4. This is not very different from that reported by the IHME, though its ratio included part of the second wave. This estimate should be read in the con- text that 80% of the population for Faridabad is urban and the serological survey in October 2020 showed a 31% seropositivity.

It is not appropriate to extrapolate these estimates to India as even within India, there are enormous differences in the severity and timing of the epidemic and its health system capacity. Thus, combining data at higher levels is likely to lead to errors in estimation. A district-wise estimation is our best bet to arrive at a national estimate. An assessment of the quality of CRS data should enable us to identify districts with an acceptable quality of registration and generate estimates for them. For districts which lack an acceptable quality of registration, we could use alternative approaches. We are seeking access to the CRS dataset from the authorities and are hopeful of being able to generate national estimates in the next few months.

### **A continuing process**

Our experience with an estimation of deaths in past influenza pandemics shows that different agencies come up with different estimates which leads to confusion among policy makers and the public. These are both due to data limitations and differences in statistical approaches. The long-term way out for countries is to address the data limitations while academics work on refining their approaches.

There will be more estimates of COVID deaths in the near future and the numbers will keep changing till some sort of a consensus emerges. However, putting up a number which is contested and debated is still good as it propels people to improve that estimate. The second wave has been deadlier, and undercounting is more likely to have occurred as the pandemic has spread to rural areas, and when access to testing has been adversely affected and many deaths are occurring outside hospitals. Refining our approaches using the first wave in 2020 would enable a much better estimation of the deaths in subsequent waves.

[https://drive.google.com/file/d/1DGv-Sqw79E4axTI-gNfpotKY\\_32HmL3j/view](https://drive.google.com/file/d/1DGv-Sqw79E4axTI-gNfpotKY_32HmL3j/view)



## **BUSINESS STANDARD**

### **EDITORIAL – 2**

Using reserves: When, if not now?

Though we have had some improvement in the last one or two weeks in parts of urban India, very many other parts of the country are going through a somewhat disastrous medical situation. What can we do? One part of the solution can make use of the very large reserves that the Reserve Bank of India (RBI) has. These are not just for dealing with a macro-financial crisis but any crisis including a medical crisis. But how?

India continues to be in urgent need of various supplies to deal with Covid-19. The items include oxygen, oxygen cylinders, oxygen concentrators, make-shift hospitals, and nursing homes in general and intensive care units in particular, various medicines, medical equipment of different kinds, and, last, but not the least, vaccines to gradually arrest the spread and severity of the disease in India.

Our problem is domestic availability of various items needed urgently. Our problem as a nation is not the inability to pay for the much-needed imports — more so when the RBI is sitting on large reserves. And since the RBI is associated with the Government of India (GOI), the latter cannot leave the matter entirely to the state governments.

The term “reserves” can be used in two different senses in the context of the balance sheet of the central bank. First are the foreign exchange reserves on the asset side of the balance sheet. Second are what I call capital reserves, which are effectively an addition to the equity capital on the liabilities side of the balance sheet. These reserves are a result of the accumulation of the retained profits; these have been reinvested by the RBI (typically in forex reserves and domestic government bonds). There is a need to use both kinds of reserves in the current situation. How? What follows is a much simplified picture of the modalities.

Let the RBI pay out an extraordinary dividend to the GOI this year. This will reduce the capital reserves of the RBI and increase the government’s cash balances with the RBI. The GOI can spend these funds to acquire foreign exchange from the RBI and spend this on imports to take care of shortages that need to be addressed urgently at home. At the end of the day, there will be two changes in the balance sheet of the RBI. First, on the asset side, the foreign exchange reserves will get reduced. Second, on the liabilities side, the capital reserves will get reduced.

Note that eventually as a result of the policy suggestion here there will be no change in the cash balances of the GOI with the RBI; these rise initially but fall subsequently. Also, there will be hardly any effect on variables like bankers’ deposits with the RBI, currency, fiscal deficit, or government bonds held by the RBI. Accordingly, there is hardly any effect on interest rates in the economy. There is also hardly any effect on the exchange rate, given that both the supply of and the demand for foreign exchange rise.

Forex reserves of the RBI stand at a very large figure of \$589.465 billion as on May 7, 2021. To put this in context, the ratio of short-term external debt to forex reserves had already declined to 17.7 per cent at end December 2020. Given the huge size of forex reserves, India can easily reduce these. In any case, the amount of foreign exchange needed to deal with the current situation is likely to be a very small, if not an insignificant, proportion of the forex reserves held by the RBI.

Let us turn now to what I have called the capital reserves though the main term used by the RBI in this context is Other Liabilities and Provisions. This term suggests that these reserves are all kept for reasons of prudence, given that prices of assets of the RBI can fluctuate. However, such accounting treatment is not entirely appropriate, given that the revaluation of foreign exchange and gold held by

the RBI is a reflection of not just the short-term rise in prices but also the more or less permanent appreciation in rupee terms of the foreign exchange and gold held over a very long period of time.

The so-called Other liabilities and Provisions made by the RBI stood at ~15,61,621 crore as on June 30, 2020. This amount is 28.43 per cent of the total assets of the RBI. It is also 78 times the amount budgeted for the Central Vista project and 86 times the amount recently approved for the PLI scheme for manufacturing ACC battery storage. There is scope for and an urgent need now for reducing the huge "provisions" in the RBI balance sheet, if we cannot cut public expenditure elsewhere.

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**EDITORIAL – 2**

India's vaccine policy needs an urgent reset

India has four decades of experience in running a national immunisation programme for children and pregnant women. It has successfully conducted large-scale mass vaccination drives for many years for polio elimination. Therefore, there was every reason to believe it could deliver Covid-19 vaccines efficiently; however, the ongoing drive in India is faltering (and even that is an understatement).

The initial challenge of vaccine hesitancy was soon replaced by that of short supply (from early April onwards); with the opening of Covid-19 vaccination for all adults in the 18-44 age group, everyone, including those above 45 years, is finding it difficult to get vaccinated. The daily vaccination rate has come down to around two million doses, nearly half the vaccination rate at its peak in April.

As per the vaccine distribution formula developed by the Union government and shared with the Supreme Court, for nearly 600 million people in the 18-44 age group, for May, the number of vaccine doses available (to be purchased by the state governments) will be around 20 million (another 20 million will be available to private hospitals). Vaccine manufacturers are not able to supply vaccines to states. The outcome is that many states have either not started vaccinations for those in this age group or have halted it due to a shortage of supply. People are finding it difficult to book a slot on the CoWin portal — the government IT application for vaccination— and there is a real risk of vaccine inequity, where those without access to smartphones and the internet, may not get a shot for a long while.

An elementary measure of performance of a well-functioning vaccination programme (or any health programme) is that the people eligible for vaccination (or health services) get it promptly. This doesn't seem to be happening at the moment and demands the urgent attention of those at the highest levels of policymaking and implementation.

A successful vaccination drive is the outcome of assured supply, simplified policies and an adaptive delivery approach. An assured vaccine supply is the first and absolute essential before the launch of the programme. If supplies are limited, doses available have to be used for vaccination of the identified priority groups, with phased openings for additional population groups. All countries across the world first secured vaccine supply and then opened up the vaccination in a graded manner for various population groups. The United States, the United Kingdom and the European Union started to secure supplies by the middle of 2020.

India seems to have erred at many steps in this process. It placed the first order with vaccine manufacturers, just a few days before the launch of the vaccination drive on January 16. Nearly 940 million people are eligible for vaccination and the current total vaccine production in India is 70-80 million doses a month. A few weeks ago, the Centre placed fresh orders for a total of 160 million doses for May, June and July, which will be used for the 45-plus age group.

However, between March 16 and April 30, a total of 116 million people received their first shot. Even if we exclude a small fraction of those who received the Covaxin shot between March 15-31 (they may have already received their second shot in April, as the gap, in this case, is four weeks), nearly 110 million people were scheduled to return for their second shot between May and July 2021. It is likely that a small proportion of the 110 million people waiting for their second dose would go to the private sector. Even then, of the secured Union government vaccine supply of 160 million for May to July, only 50-million-odd shots would be available for 45 years and older coming for their first shot.

Can India be assured of increase in vaccine supply by July 2021? It is unlikely to be to the extent of 150 million doses a month as is being suggested. A large manufacturer in India planned to have a monthly production capacity of 100 million doses by January, a timeline which has now been shifted to July. After all, vaccine manufacturing and scaling up are complex processes and an ambitious timeline does not always work. The situation of other manufacturers is likely to be similar. The contribution of vaccine imports will be marginal to the overall supply for India.

In the wake of supply constraints and challenges, the role of vaccination policy and delivery strategy becomes vital to avoid chaos at the vaccination centres. All policy options and delivery strategies should be re-examined and simplified. The increase in the gap between the two doses of Covishield, announced last week, and which was being suggested by many for months, is one such. There are others. Which population group can be safely asked to wait for their vaccine shots? Can vaccination for any age group (18-30 years) be put on hold till assured supply? Some of these are controversial questions – but they need to be addressed.

Part of the problem seems to be the fact that there is political decision-making in the areas that are purely technical. The political leadership should give a free hand to technical experts to decide and implement new strategies. The leaders of opposition parties have written to the government to revise the vaccination policy and strategy. This could make the government harden its stand, which it should not do. In the end, all that should matter is whether any policy decision, even if it is a reversal of an existing position, will help in ensuring vaccines reach people.

For six weeks now, India's vaccination drive has been struggling. How long must one wait before acknowledging that what was planned is not working? It is often said that Indian policymakers have mastered the art of drafting policies, which, while being perfect on paper, are poorly implemented on the ground. India's Covid-19 vaccination efforts have areas for improvement, both in policy and implementation. The government should do all that is needed to make it work, here and now.

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**EDITORIAL – 2**

**CITIZENS SHOULD BE TRAINED ON THE COMPLEXITIES OF USING CRYPTOCURRENCIES**

In India, there is a lapse in the legislation on regulation of virtual currency, which either prohibits trade and dealings or legalises their use. The Supreme Court, in the case of Internet and Mobile Association of India v. Reserve Bank of India, set aside the curb imposed by the RBI on banks and NBFCs from trading or providing services in cryptocurrencies. Nevertheless, the court also put emphasis on the dire need of an umbrella legislation for regulation of virtual currencies.

The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 is being reviewed and would be introduced in Parliament soon. The bill's specifics have not yet been made available. However, market commentary indicates that it would enable the issuing of a central bank digital currency (CBDC) as well as the usage of blockchain and distributed ledger technologies which underpin cryptocurrencies. In terms of private digital currencies, recent remarks by Finance Minister Nirmala Sitharaman suggest that, rather than an outright prohibition, there could be experimentation, discovery and promotion of the emerging technologies behind these.

The draft Bill prohibits all cryptocurrencies due to the threats associated with them, such as alleged money-laundering, consumer risks, and a danger to the country's financial stability. However, cryptocurrencies have the ability to have additional advantages such as improved record tracking and more effective cross-border transfers. Several countries are using laws to attempt to minimise some of these threats.

According to the draft Bill, cryptocurrency is any content, code, or token that has a digital representation of value and is created by cryptographic or other means. This description might be too vague, encompassing different types of digital tokens that are not developed using cryptography and not in consonance with international standards. Such tokens could not carry the same risks as cryptocurrencies.

The penalties prescribed by the Bill for such offenses could be disproportionate in comparison to other comparable economic offenses in the country. To illustrate, mining, holding, issuing, transferring or any usage of crypto, barring created exceptions, is punishable with a fine or imprisonment of up to 10 years which is synonymous with punishment for possession of marijuana under NDPS.

**NATIONAL STRATEGY**

The MEITY issued a draft national strategy on blockchain which proposed the establishment of a 'National Level Blockchain Framework' which will be a multi-layered infrastructure to host sector-wise specific blockchains. Users under the draft will have the mechanism to access the infra through a 'National Blockchain API' which will be linked with Aadhar and E-sign. It has established legal and regulatory barriers to blockchain acceptance, such as privacy concerns, the RBI's unfavourable views on cryptocurrencies, and impediments due to data localisation criteria. Nevertheless, the draft needs to revisit the data localization requirements as it identifies it as a barrier to the adoption of blockchain. Localisation should be exempted for decentralised storage as it would better security.

According to the draft, privacy is not an important characteristic of blockchain which should not be the case, and it is believed by numerous entities that use privacy-enhancing features on top of blockchains. French Data Protection Authority recommendations on privacy protection could be a potential way forward.

There is an urgent need for regulatory harmonisation since most blockchain technology advancement occurs in the permissionless blockchain domain, it should be proposed that the MEITY collaborate with the RBI and other sectoral regulators to develop an inclusive platform for blockchain in India.

### **THE WAY FORWARD**

In the longer run, licensing and compulsory registration could be a plausible solution that helps in facilitating the compulsory registration of the trader. Any activity or business involving a transaction in crypto should be permitted, however it should be subject to requirements of licensing. Zebpay, a Bitcoin wallet app, often follows a self-regulation scheme thus adhering to KYC and anti-money laundering standards. This allows the rules of the Prevention of Money Laundering Act, 2002 to be applied to ensure that no individual or agency misuses these networks.

In India, a Special Regulatory Body dealing with the Regulation of Virtual Currencies could be empaneled. This body's responsibilities may involve issuing licenses to virtual currency merchants and organisations receiving virtual currency payments, as well as promoting the registration of different types of virtual currencies floating in the Indian and global markets. This agency would also seek to deter illicit activity using virtual currency and to track down the perpetrators. Its members may involve RBI's board of directors, governors' delegates, senior intelligence officers, and economists.

Citizens should be trained on the complexities of using cryptocurrencies. The RBI can provide regular alerts about the opportunities that cryptocurrencies provide for illicit activities such as money laundering and terrorism.

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