PLUGGING THE BABY GAP? THE STRUGGLE TO REVERSE DEMOGRAPHIC DECLINE IN RUSSIA

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Recently, Russia has been struggling to reverse plunging birthrates by adopting a number of radical policies designed to encourage women to have more babies. The breakup of the Soviet Union and the ensuing economic and political instability prompted a decade-long decline in fertility rates, which dropped from 1.72 children per woman in 1991 to 1.2 children per woman in 2000. As a result, Russia lost nearly 6 million inhabitants. Relative stability and high oil prices in the decade that followed saw fertility rates settle at around 1.6 children per woman in 2012 and 1.71 children per woman in 2013, which is still below the needed replacement rate of 2.1 children per woman. This article focuses on the maternal capital subsidy for the birth of two or more children that took effect in 2007 and will run until 2016. It deals with two questions. The first question is, why has maternal capital fraud been so prevalent? The second question is, does maternal capital make a difference when it comes to increasing Russia's birthrate? In exploring these questions, the article considers the future of maternal capital subsidy, specifically focusing on the social, economic, and political outcomes of the current Ukraine crisis and Russia's annexation of the Crimean peninsula. The article concludes that the overly restrictive design of the maternal capital program provides a fertile ground for fraud and that this subsidy fails to address the many complex causes underlying Russia's declining fertility rates, thus limiting its effectiveness. Mothers and their families want the maternal capital money here and now because they do not believe that the money will be available in the future (in part, such belief is justified by the turbulent history of the 1990s and several bank collapses). The other side of the coin is that the state does not trust its citizens to use maternal capital money in a responsible fashion and has thus prescribed very limited usages for these funds. This lack of trust on both sides creates fertile ground in which fraud and corruption flourish.

Keywords: maternal capital subsidy; maternal capital legislation; gender; fraud; fertility rates.

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1. Introduction

In recent years, Russia has been struggling to reverse plunging birthrates by adopting a number of radical policies designed to encourage women to have more babies. Both Presidents Putin and Medvedev have acknowledged that declining birthrates combined with high death rates constitute one of the more serious problems facing the country and that radical measures are needed to address this situation.[1] Russia reached its historic population peak in 1991 at around 148.5 million. Its population fell to 142.9 million by 2014, with the United Nation's most pessimistic projection suggesting a possible further decline to 120 million by 2025.[2] The breakup of the Soviet Union and the ensuing economic and political instability prompted a decade-long decline in fertility rates, which dropped from 1.72 children per woman in 1991 to 1.2 children per woman in 2000.[3] As a result, Russia lost nearly 6 million inhabitants. Relative stability and high oil prices in the decade that followed saw fertility rates settle at around 1.6 children per woman in 2012 and 1.71 children per woman in 2013, which is still below the needed replacement rate of 2.1 children per woman.[4] Consequently,

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[1] Quoted in *Vladimir Putin on Raising Russia's Birth Rate*, 32(2) Pop. Dev. Rev. 388 (2006). doi:10.1111/j.1728-4457.2006.00126.x

[2] Demographic Policy in Russia: From Reflection to Actions 9 (UNDP 2008), available at <http://www.undp.ru/download.php?749> (accessed Jul. 27, 2015).

[3] Throughout the 1970[s], fertility rates varied between 1.92 and 2.03 children per woman. Throughout the 1980[s], fertility rates were between 1.87 and 2.23 children per woman. *See* Julie DaVanzo & David Adamson, *Russia's Demographic 'Crisis:' How Real Is It?*, Rand Corporation (Jul. 1997), <http://www.rand.org/content/dam/rand/pubs/issue_papers/2006/IP162.pdf> (accessed Jul. 27, 2015).

[4] The Russian Ministry of Labor states that in 2013 fertility rates rose to 1.71 children per woman. *See* 1 июня в России отмечается международный день защиты детей [*1 iyunya v Rossii otmechaetsya mezhdunarodnyi den' zashchity detei* [Russia Celebrates International Day of the Child on July 1]], Ministry of Labour and Social Welfare of the Russian Federation (May 31, 2014), <http://www.rosmintrud.ru/social/family/127> (accessed Jul. 27, 2015); *see also* Demographic Policy in Russia, *supra* n. 2; Steven P. Kramer, *Baby Gap: How to Boost Birthrates and Avoid Demographic Decline*, Foreign Affairs, May / Jun. 2012, available at <https://www.foreignaffairs.com/articles/2012-05-01/baby-gap> (accessed Jul. 27, 2015).

in his 2006 annual State of the Nation Address, President Putin stated that, in order to resolve the demographic crisis facing Russia, there was a need to increase birthrates, lower death rates, and implement an effective immigration policy.[5] This article focuses on the maternal capital subsidy for the birth of two or more children that took effect in 2007 and that is designed to support and encourage women to give birth to more than one child. It begins with a brief historical review of population policies during the Soviet regime and draws on some historical parallels between the role of the state in such policies during Soviet times, in the early years after the collapse of the Soviet Union, and throughout Vladimir Putin's presidency. The article then aims to answer two questions. The first question is, why has maternal capital fraud been so prevalent, especially given the fact that it involves ordinary families trying to raise their children? The second question is, does maternal capital make a difference when it comes to increasing Russia's birthrate – the purpose for which it was introduced in the first place? In exploring these questions, the article considers the future of maternal capital subsidy, specifically focusing on the social, economic, and political outcomes of the current Ukraine crisis and Russia's annexation of the Crimean peninsula. The article concludes that the overly restrictive design of the maternal capital program provides a fertile ground for fraud and that this subsidy fails to address the many complex causes underlying Russia's declining fertility rates, thus limiting its effectiveness.

2. A Historical Overview of Population Policies

The problem of declining fertility rates, which is frequently discussed as a consequence of the Russian economic transition in the 1990[s], is actually not a new one. Debates about fertility rates and population policies were prominent features in the Soviet era. The Soviet state claimed to provide 'for all citizens' material needs through the provision of employment, housing, education, and health care . . . [so] the state viewed women as responsible for both productive and reproductive labor for the good of society.'[6] Although abortions were legalized in 1920, they were subsequently prohibited in 1936.[7] In that same year a program that provided some financial relief to large families took effect. This program of support provided annual allowances for seventh and subsequent children until their fifth birthday, irrespective of a family's financial circumstances. In 1944, due to concerns about the enormous population losses in World War II, this program of support was extended to

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5 Quoted in *Vladimir Putin on Raising Russia's Birth Rate*, *supra* n. 1.

6 Michele Rivkin-Fish, *Pronatalism, Gender Politics, and the Renewal of Family Support in Russia: Toward a Feminist Anthropology of 'Maternity Capital,'* 69(3) Slavic Rev. 706 (2010).

7 Susan G. Solomon, *The Demographic Argument in Soviet Debates over the Legalization of Abortion in the 1920s*, 33(1) Cahiers du monde russe et soviétique (1992), available at <http://www.persee.fr/articleAsPDF/cmr_0008-0160_1992_num_33_1_2306/article_cmr_0008-0160_1992_num_33_1_2306.pdf> (accessed Jul. 27, 2015). doi:10.3406/cmr.1992.2306

cover third and subsequent children. Under the scope of this program, a lump-sum payment was provided for the birth of third and subsequent children. Furthermore, upon the birth of the fourth and subsequent children, the mother was entitled to receive monthly payments until the children reached the age of five.[8]

An interesting feature of this program involved single mothers. These mothers received additional monthly payments for their first three children until they reached the age of twelve (a feature that was not available for married mothers).[9] It is notable that the Soviet state, despite its declared preference for family values, has always extended (at least in theory) special protections to single mothers. The focus of the state was directly on the child, rather than on the family *per se*. Various state policies, such as subsidized daycares for single mothers and slightly higher child benefit payments, made it clear that 'childbearing was welcomed even when parents' living arrangements fell far short of the [ideal family] model.'[10]

As a matter of fact, motherhood was frequently discussed as a woman's duty to the state. Bearing children was considered a responsibility of citizenship, not a private choice.[11] Thus, the relationship that was continually emphasized was that of the state as a provider and the mother as a receiver of various economic and social benefits. Fathers were largely left out of this equation. The role of the father in child-rearing was very rarely discussed. Although fathers were 'assigned the symbolic role of the family's financial provider,' the reality of overall low salaries and women's active participation in the workforce, excluded fathers from the mother-state relationship.[12]

Despite the re-legalization of abortion in 1955, the state's emphasis on childbearing continued unabated. Doctors were instructed to strongly discourage women from terminating pregnancies and contraceptives were in short supply until the fall of the Soviet Union.[13] Regardless of various pronatalist state measures, it started to become apparent in the late 1960^{s} that birthrates were declining. It was

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[8] David M. Heer & Judith G. Bryden, *Family Allowances and Population Policy in the U.S.S.R.*, 28(4) J. Marr. Fam. 515 (1966).

[9] *Id*.

[10] Nicholas B. Barkalov, *Changes in the Quantum of Russian Fertility During the 1980s and Early 1990s*, 31(3) Pop. Dev. Rev. 551 (2005). doi:10.1111/j.1728-4457.2005.00084.x

In part this state attitude could be explained by the huge losses to the male population during the revolution and the two World Wars. Some sources indicate that there were 20 million more women of reproductive age than men. *See Курганов И.А.* Женщины и коммунизм [Kurganov I.A. *Zhenshchiny i kommunism* [Ivan A. Kurganov, Womens and Communism]] 139–205 (1968).

[11] Olga Issoupova, *From Duty to Pleasure: Motherhood in Soviet and Post-Soviet Russia*, in Gender, State and Society in Soviet and Post-Soviet Russia 30, 33 (Sarah Ashwin, ed.) (Routledge 2000), available at <http://www.busin.biz/library/soviet%20union/Women%20in%20the%20USSR/Sarah%20Ashwin%20-%20Gender,%20State%20and%20Society%20in%20Soviet%20and%20Post-Soviet%20Russia.pdf> (accessed Jul. 27, 2015).

[12] *Id*. at 38.

[13] Mie Nakachi, *N.S. Khrushchev and the 1944 Soviet Family Law: Politics, Reproduction, Language*, 20(1) E. Eur. Pol. Soc. (2006). doi: 10.1177/0888325405284313

also quite clear that there was a wide disparity between population growth rates in the Slavic-populated and Muslim-populated regions of the Soviet Union, with the Slavic-populated areas experiencing more significant declines.[14] In part, this decline in fertility rates was due to the fact that child allowance payments did not constitute a substantial amount that would actually relieve some of the significant costs associated with raising children. The payments were approximately 4.4% of the average wage.[15] Although women were provided with subsidized daycares, generous sick leaves, paid vacations, and numerous other 'in-kind' benefits, most continued to live in substandard housing with no possibility of improving their daily living conditions. Thus, despite the existence of benefits, women were left to do 'double duty' of full-time employment and child-rearing.[16]

Throughout the 1970[s] and 1980[s], as fertility rates continued their downward trend (especially in the European part of the Soviet Union), public debates centered on emphasizing women's 'mission' and obligation to society. Small families were portrayed as a 'deviant and dangerous phenomenon.'[17] In 1981, the Soviet leadership clearly endorsed the regional approach to demographic policy. It introduced lump-sum payments for first, second, and third births, extended child allowance programs for second and higher order births (previously only available after the birth of a third child), and extended partially paid maternity leave to all women.[18] The implementation of these measures was to be introduced gradually, 'step by step in different regions of the country.'[19] Slavic regions, such as Siberia and the Far East, were to be the primary beneficiaries of these measures. Apart from the question of cost of introducing these changes, political considerations also played a role, as Central Asian minorities were becoming more nationally assertive and were starting to use their rapid population growth as leverage in negotiating with central Soviet leadership.[20]

The problem of declining fertility rates was exacerbated in the 1990[s] as the Soviet Union collapsed. The entire social security net that was taken for granted for several generations disintegrated. Employment security was no longer guaranteed and deregulated market prices unleashed hyperinflation. In 1992 prices rose over 2,500% for the year.[21] These rapid changes associated with economic restructuring resulted in

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14 Cynthia Weber & Ann Goodman, *The Demographic Policy Debate in the USSR*, 7(2) Pop. Dev. Rev. 281 (1981).

15 Heer & Bryden, *supra* n. 8, at 516.

16 Helen Desfosses, *Pro-Natalism in Soviet Law and Propaganda*, in Soviet Population Policy: Conflicts and Constraints 95 (Helen Desfosses, ed.) (Pergamon Press 1981).

17 Rivkin-Fish, *supra* n. 6, at 708.

18 Desfosses, *supra* n. 16.

19 Weber & Goodman, *supra* n. 14, at 279.

20 *Id*. at 287.

21 Barkalov, *supra* n. 10, at 552.

> a drop in per capita income in real terms to 40 percent of its 1991 equivalent; expanded poverty (the main trade union body concluded that 80 percent of the population had fallen below the poverty line); great income inequality; the loss of lifetime savings by most people; and quite importantly, the disappearance of general as well as child support benefits.[22]

Given these major political, social, and economic changes, the discourses that were prevalent throughout the 1980s that labelled women who chose to have only one child as 'selfish' virtually ceased during the 1990s. The economic crisis that Russia was facing presented an understandable barrier to larger families, as most people were thinking about their daily survival.[23] Fertility rates dropped sharply. The most significant drop was in the probability of having a second child, which led to the one-child family becoming the most prevalent.[24] Furthermore, a realization was setting in that state support could no longer be guaranteed or relied upon. Maternity was being reconceptualized as no longer a state function, but rather a private experience, where the full financial responsibility would also fall on the family, instead of being shared with the state. Throughout the 1990s, the state undertook mainly symbolic projects that acknowledged the importance of motherhood, such as creating a National Mother's Day in 1999.[25]

As the Russian economic situation started to improve in the early 2000s and fertility rates continued their downward trend, the Soviet-era idea of state economic investment into motherhood started to gain momentum once more. Even in his first public address to the nation in 2000, Putin stated that Russia's survival as a nation was threatened by the country's decreasing population.[26] Hence, not surprisingly, the concept of maternal capital aligned with the whole idea of reasserting state control over various spheres of private life, which became the hallmark of Putin's presidency.

3. How Maternal Capital Works

The idea of maternal capital was first introduced by President Putin in his 2006 State of the Nation Address.[27] In a marked difference from past speeches, this address

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22 Barkalov, *supra* n. 10, at 552.

23 Rivkin-Fish, *supra* n. 6, at 710.

24 Barkalov, *supra* n. 10, at 553.

25 Issoupova, *supra* n. 11, at 40.

26 *Путин В*. Какую Россию мы строим // Российская газета. 2000. 11 июля. № 133 [Putin V. *Kakuyu Rossiyu my stroim // Rossiiskaya gazeta. 2000. 11 iyulya. No. 133* [Vladimir Putin, *What Kind of Russia Are We Building*, 2000(133) Russian Gazette]].

27 *Vladimir Putin on Raising Russia's Birth Rate*, *supra* n. 1, at 388.

gave a great deal of detail in terms of how maternal capital would function. Putin stated that '[i]t must provide [women who give birth to more than one child] with, so to speak, a start-up base, motherhood capital that would raise [their] social status and help solve future problems.'[28] Following President Putin's speech, in 2007, the Government introduced a maternal capital subsidy, indexed to inflation,[29] for the birth of two or more children.[30] The subsidy is scheduled to run from January 1, 2007, to December 31, 2016.[31] Initially, maternal capital payments were approximately $9,232 (or 250,000 rubles) and, in 2014, they reached $12,477 (or 429,408 rubles).[32] The Russian Federal Pension Fund administers the federal maternal capital payments and issues maternal capital certificates to the qualified applicants.[33] According to the Federal Pension Fund statistics, it has issued approximately 3.4 million maternal capital certificates since this program came into effect.[34] Over 97% of recipients of maternal capital certificates have used them in connection with real estate transactions.[35]

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[28] Valeria Korchagina & Oksana Yablokova, *Putin Offers Mothers Cash for More Babies*, The Moscow Times (May 11, 2006), <http://www.themoscowtimes.com/news/article/putin-offers-mothers-cash-for-more-babies/205109.html> (accessed Jul. 27, 2015).

[29] The purchasing power of maternal capital has actually been declining over the years, as the annual rates of increases (especially in the past couple of years) have been below inflation rates and will amount only to 4.5% in 2016 and 4.3% in 2017, while the current inflation rate is 8% and is expected to rise. *See* Материнский капитал в 2015 году [*Materinskii kapital v 2015 godu* [*Maternal Capital in 2015*]], <http://materinskij-kapital.ru/razmer-materinskogo-kapitala/v-2015-godu> (accessed Jul. 27, 2015).

[30] *See* Федеральный закон от 29 декабря 2006 г. № 256-ФЗ «О дополнительных мерах государственной поддержки семей, имеющих детей» [*Federal'nyi zakon ot 29 dekyabrya 2006 g. No. 256-FZ 'O dopolnitel'nykh merakh gosudarstvennoi podderzhki semei, imeyushchikh detei'* [Federal Law No. 256-FZ of December 29, 2006, 'On Additional Government Support Measures of Families with Children']] [hereinafter Federal Law No. 256-FZ]. The details of how to apply for maternal capital were outlined in the Decree of the Government of the Russian Federation No. 873 of December 30, 2006. In addition to the federal maternal capital program, similar programs started to emerge in various Russian regions beginning in 2011. *See* Пособия на ребенка – регионы [Posobiya na rebenka – regiony [Child Support in Regions]], <http://posobie-na-rebenka.ru/regionyi/> (accessed Jul. 27, 2015).

[31] *See* Портал о материнском капитале [*Portal o materinskom kapitale* [Maternal Capital Portal]], <http://www.matkap.ru> (accessed Jul. 27, 2015).

[32] Материнский капитал в 2014 году – новости и изменения [*Materinskii kapital – novosti i izmeneniya v 2014 godu* [*Maternal Capital – News and Changes in 2014*]], <http://www.matkap.ru/news.php> (accessed Jul. 27, 2015).

[33] *Бекренева Т.* Материнский капитал – повод для мошенничества // Жилищное право. 2012. № 4 [Bekreneva T. *Materinskii capital – povod dlya moshennichestva* // *Zhilishchnoe pravo*. 2012. No. 4 [Tatyana Bekreneva, *Maternal Capital – Reason for Fraud*, 2012(4) Housing Law]], available at <http://www.top-personal.ru/estatelawissue.html?333> (accessed Jul. 27, 2015).

[34] *See* Лучше чтобы материнского капитала не было? [Luchshe chtoby materinskogo kapitala ne bylo? [*It Would Be Better If Maternal Capital Never Existed?*]], <http://www.matkap.ru/otvet-na-kritiku.php> (accessed Jul. 27, 2015).

[35] *Баязитова А., Маетная Е.* Материнский капитал станет полностью жилищным [Bayazitova A., Maetnaya E. *Materinskii kapital stanet polnost'u zhilishchnym* [Alexandra Bayazitova & Elizaveta Maetnaya, *Maternal Capital Will Become Fully Lodging-Related*]], *Izvestiya* (Feb. 10, 2014), <http://izvestia.ru/news/565317> (accessed Jul. 27, 2015).

Despite the fact that the title of the law suggests that maternal capital supports 'families' ('On Additional Government Support Measures of Families with Children'), the money is primarily directed towards women who are citizens of the Russian Federation and who either gave birth to or adopted a second (or third or subsequent) child between 2007 and 2016.[36] So, a woman who already has one child and gives birth to (or adopts) a second child between 2007 and 2016 is entitled to receive maternal capital subsidy. If a woman already has two children and gives birth to (or adopts) a third child between 2007 and 2016, she is likewise entitled to receive this subsidy. If a woman gives birth to more than one child between 2007 and 2016, she is entitled to claim maternal capital subsidy only once. Men or children can receive maternal capital certificates in a very limited range of circumstances, mostly in cases when the mother has died, her parental rights were taken away, or she committed a criminal offence against her children (such as murder, assault, failure to provide necessities of life, *etc.*) and is facing prison time.[37] The Constitutional Court of the Russian Federation clearly indicated that a father's right to maternal capital is residual and can be realized only when the mother is unable to receive the payments.[38] In terms of the mother's right to receive maternal capital, the Russian courts have, for the most part, considered a fact of birth of a second or a third child as an event upon which the entitlement to receive maternal capital emerges, despite the absence of documents, such as birth certificates. For instance, mothers who had lost their children in the first week of life and who did not possess birth certificates for them presented the Federal Pension Fund with a medical certificate indicating that the birth took place and were granted maternal capital certificates.[39] Mothers of premature babies that were born just before January 1, 2007, when the law came into effect, were also granted maternal capital certificates.[40]

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[36] *See* Art. 3 of the Federal Law No. 256-FZ.

[37] *See* Arts. 3(1)(3) and 3(3) of the Federal Law No. 256; *see also* Decision of the Supreme Court of the Russian Federation of January 27, 2012. Case No. 81-V11-11 (in regards to a mother committing a crime against her children).

[38] *See* Decision of the Constitutional Court of the Russian Federation No. 1085-O-O of October 13, 2009. The Constitutional Court considered a case of a father, whose first wife passed away and left him with a child. The father later had a second child with his second wife. However, he was denied maternal capital. However, if a woman has two children from different fathers, she is entitled to receive maternal capital.

[39] *See* Decisions of the Russian Supreme Court of the Russian Federation of June 18, 2010. Case No. 51-V10-12; of November 26, 2009. Case No. 29-V09-6; of June 17, 2010. Case No. 51-V10-9; however, *see* Decision of the Constitutional Court of the Russian Federation No. 542-O of April 23, 2013 (denying maternal capital due to the absence of a birth certificate for a woman whose baby died in the first week of life in 1994 (prior to amendments dealing with birth certificates that took place in 1997 (*see* Federal Law No. 143-FZ of November 15, 1997))). Mothers of stillborn children were denied maternal capital (*see* Decision of the Constitutional Court of the Russian Federation No. 1439-O-O of November 9, 2010). Finally, Federal Law No. 241-FZ of July 28, 2010, resolved the issue of children who died in the first week of life and granted the right to maternal capital to their mothers.

[40] *See* Decision of the Supreme Court of the Russian Federation of June 3, 2011. Case No. 4-V11-15.

The key design feature of the federal maternal capital subsidy is that it is not a direct cash payout (*i.e.* it is not paid out when the child is born)[41] and the funds can be used only for certain things in three specific areas.[42] First, maternal capital can be directed towards 'improvement of a family's living conditions;' second, it can be used for children's educational needs; and, finally, it can be invested in the mother's future pension.[43] In most cases, maternal capital funds can be used only when the second or subsequent child has reached the age of three.[44] Hence, even though the maternal capital law came into effect in 2007, the first payments did not start until 2010. Furthermore, because the maternal capital is a one-time support measure, once the mother has qualified for the funds after the birth of her second child (for a mother with one child having her second), she cannot qualify for it again if she has more children. Maternal capital funds, however, can be directed toward the welfare of all members of the family, not just the child whose birth entitled the mother to the funds (*i.e.* the funds may be used to pay for the education of a first child or to buy an apartment for the family).[45]

An interesting feature of the maternal capital law is the provision that maternal capital certificates and hence maternal capital can be received by citizens of the Russian Federation 'irrespective of their place of residence.'[46] Technically, this entitles Russian women living abroad to receive a maternal capital subsidy, as long as they still hold Russian citizenship and their second (or subsequent) child is a Russian citizen. The child's place of birth as well as the citizenship of the father are irrelevant.[47] Initially, when Russian embassies and consulates started to face questions regarding receipt of maternal capital subsidy, the confusion was around the issue of whether the family should still be able to demonstrate an official place of residence (address) in Russia. Some applicants were given the wrong information that if they had left Russia for a permanent residence abroad, they would no longer qualify for a maternal capital subsidy.[48] However, a clarification was issued in a 2008 Government

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41 The maternal capital program is designed so that the maternal capital subsidy is never paid directly to a mother who applies for it. It is instead transferred to either a bank, to cover a mortgage payment, or deposited into a pension fund, or paid out to a daycare to cover childcare expenses.

42 Bekreneva, *supra* n. 33.

43 *See* Art. 7(3)(3) of the of the Federal Law No. 256-FZ.

44 *See* Art. 3(7) of the Federal Law No. 256-FZ.

45 Материнский капитал: вопросы и ответы [*Materinskii kapital: voprosy i otvety* [*Maternal Capital: Questions and Answers*]], *Rossiiskaya gazeta* (Jul. 25, 2007), <http://www.rg.ru/2011/07/25/matkapital-baza-yurist.html> (accessed Jul. 27, 2015).

46 See Art. 3(1) of the Federal Law No. 256-FZ.

47 See Art. 3(1)(3) of the Federal Law No. 256-FZ.

48 *Асадова Н., Погонина Л., Соловьев В., Качуровская А.* Не те дети [Asadova N., Pogonina L., Solovyov V., Kachurovskaya A. *Ne te deti* [Nargiz Asadova et al., *Inappropriate Children*]], *Kommersant* (Apr. 9, 2007), <http://www.kommersant.ru/doc/757037> (accessed Jul. 27, 2015).

Decree that entitled even those women who had left Russia to take up permanent residence abroad to receive maternal capital subsidy.[49] The limitation, of course, is that the maternal capital subsidy must only be used within the territory of the Russian Federation.[50] This territorial restriction on usage has encouraged applicants to monetize maternal capital in various ways, which will be discussed below. The question that needs to be considered is, why has the law on maternal capital not been restricted in its application to citizens of the Russian Federation actually living in Russia, since its purpose is to improve the demographic situation within Russia rather than in other jurisdictions? Some have suggested that the purpose behind this particular legislative provision is to encourage families to apply for Russian citizenship and thus expand Russia's geopolitical influence through its diasporas.[51]

The maternal capital law has undergone a number of amendments. Some of the most significant ones include the ability to use maternal capital before the second or subsequent child's third birthday for the limited purpose of paying off a mortgage or other type of loan connected to the purchase of real estate. This amendment came into effect on January 1, 2011.[52] Despite maternal capital not being a direct cash payout, a special anti-financial crisis measure was adopted by the federal government allowing one-time cash payouts of $350.00 (12,000 rubles) to each maternal capital applicant between May 2009 and May 2011.[53] In November 2011,

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[49] *See* Decree of the Government of the Russian Federation No. 709 of September 22, 2008.

[50] *See* Art. 7 of the Federal Law No. 256-FZ.

[51] Asadova et al., *supra* n. 48.

[52] See Art. 7(6)(1) of the Federal Law No. 256-FZ; *see also Горовцова М*. Материнский капитал: какие изменения можно ожидать в будущем [Gorovtsova M. *Materinskii kapital: kakie izmeneniya mozhno ozhidat' v budushchem* [Margarita Gorovtsova, *Maternal Capital: What Changes Could We Expect in the Future*]], Garant (Sep. 13., 2013), <http://www.garant.ru/article/493842/> (accessed Jul. 26, 2014).

[53] *See* Федеральный закон от 28 апреля 2009 г. № 72-ФЗ «О внесении изменений в отдельные законодательные акты Российской Федерации в целях повышения уровня материального обеспечения отдельных категорий граждан» [*Federal'nyi zakon ot 28 aprelya 2009 g. No. 72-FZ 'O vnesenii izmenenii v otdel'nye zakonodatel'nye akty Rossiiskoi Federatsii v tselyakh povysheniya urovnya material'nogo obespecheniya otdel'nykh kategorii grazhdan'* [Federal Law No. 72-FZ of April 28, 2009, 'On Amendments to Certain Laws of the Russian Federation with the Aim of Increasing Material Welfare of Certain Categories of Citizens']] and Федеральный закон от 28 июля 2010 г. № 241-ФЗ «О внесении изменений в отдельные законодательные акты Российской Федерации и о порядке предоставления единовременной выплаты за счет средств материнского (семейного) капитала» [*Federal'nyi zakon ot 28 iyulya 2010 g. No. 241-FZ 'O vnesenii izmenenii v otdel'nye zakonodatel'nye akty Rossiiskoi Federatsii i o poryadke predostavleniya edinovremennoi vyplaty za schet sredstv materinskogo (semeinogo) kapitala'* [Federal Law No. 241-FZ of July 28, 2010, 'On Amendments to Certain Laws of the Russian Federation Regarding the One Time Cash Payouts from Maternal (Family) Capital']]; *see also Кашина М.А., Юкина И.И*. Российская демографическая политика: опыт гендерного анализа // Журнал социологии и социальной антропологии. 2009. № 12. С. 114 [Kashina M.A., Yukina I.I. *Rossiiskaya demograficheskaya politika: opyt gendernogo analiza // Zhurnal sotsiologii i sotsial'noi antropologii*. 2009. No. 12. S. 114 [Marina A. Kashina & Irina I. Yukina, *The Russian Population Policy: An Attempt at Gender Analysis*, 2009(12) Journal of Sociology and Social Anthropology 114]], available at <http://old.jourssa.ru/2009/1/08_Kachina.pdf> (accessed Jul. 27, 2015).

it became possible to use maternal capital to pay for children's daycare costs.[54] The reason this amendment was adopted was to entice some of the maternal capital recipients to use it for education. The majority of the recipients were very reluctant to use maternal capital money for higher education and wanted to use the money 'here and now.' Parents indicated their uncertainty about future educational reforms and the availability of the money in the future. They were also hoping that their children would benefit from free education, as they had themselves.[55] Despite the ability to use maternal capital to pay for daycare expenses, the payment of such expenses is only possible once the child turns three years old. It also takes the Federal Pension Fund about one month to make a decision about the applicant's entitlement to maternal capital and a further two months to release the funds, which may cause a problem for some institutions already reluctant to accept maternal capital certificates.[56] Furthermore, it is very difficult to secure a subsidized daycare space in Russia due to a shortage of such spaces – a legacy of the 1990[s] when most daycares closed and their buildings were used to open businesses. Private

[54] *See* Постановление РФ от 14 ноября 2011 г. № 931 «О внесении изменений в Правила направления средств (части средств) материнского (семейного) капитала на получение образования ребенком (детьми) и осуществление иных связанных с получением образования ребенком (детьми) расходов» [*Postanovlenie Pravitel'stva RF ot 14 noyabrya 2011 g. No. 931 'O vnesenii izmenenii v Pravila napravleniya sredstv (chasti sredstv) materinskogo (semeinogo) kapitala na poluchenie obrazovaniya rebenkom (det'mi) i osushchestvlenie inykh svyazannykh s polucheniem obrazovaniya rebenkom (det'mi) raskhodov'* [Decree of the Government of the Russian Federation No. 931 of November 14, 2011, 'On Amendments to the Rules Dealing with Maternal Capital Being Directed to Education of the Child and Other Educational Expenses']]. Although not directly related to maternal capital, but aiming to achieve a similar aim of improving the birthrate, a federal law was passed in 2011 stating that families who give birth to a third child will be entitled to 0.15 hectares of land free of charge in order to build houses for their families, with each region in Russia deciding on the location of such 'free land.' In the majority of cases, this land is not made available in the cities, where real estate is at a premium, but rather requires a move to the country, in some cases quite far away from the city, making it an unrealistic prospect for many families. Furthermore, even though the land is free, the cost of building a house still falls on the family. *See* Федеральный закон от 14 июня 2011 г. № 138-ФЗ «О внесении изменений в статью 16 Федерального закона «О содействии развитию жилищного строительства» и Земельный кодекс Российской Федерации» [*Federal'nyi zakon ot 14 iyunya 2011 g. No. 138-FZ 'O vnesenii izmenenii v stat'yu 16 Federal'nogo zakona "O sodeistvii razvitiyu zhilishchnogo stroitel'stva" i Zemel'nyi kodeks Rossiiskoi Federatsii'* [Federal Law No. 138-FZ of June 14, 2011, 'On Amendments to Article 16 of the Federal Law "On Assistance in Development of Housing Construction" and to the Land Code of the Russian Federation']].

[55] *Бороздина Е.А., Здравомыслова Е.А., Темкина А.А*. Как распорядиться «материнским капиталом» или граждане в семейной политике // Социологические исследования. 2012. № 12. С. 112 [Borozdina E.A., Zdravomyslova E.A., Temkina A.A. *Kak rasporyadit'sya 'materinskim kapitalom' ili grazhdane v semeinoi politike // Sotsiologicheskie issledovaniya.* 2012. No. 7. S. 112 [Ekaterina A. Borozdina et al., *How to Use the 'Maternal Kapital' or Citizens in the Family Policy*, 2012(7) Sociological Research 112]], available at <http://ecsocman.hse.ru/data/2012/11/12/1251376529/Borozdina.pdf> (accessed Jul. 27, 2015).

[56] *Id.*; *see also Бугрова О., Бочкова Л.* Все что нужно, чтобы получить и использовать материнский капитал [Bugrova O., Bochkova L. *Vse chto nuzhno, chtoby poluchit' i ispolzovat' materinskii kapital* [Olga Bugrova & Lidiya Bochkova, *Everything You Need to Receive and Use the Maternal Capital*]], *Glavbukh* (Feb. 27, 2009), <http://www.glavbukh.ru/art/15881> (accessed Jul. 27, 2015).

daycares, on the other hand, cost a lot, so it is a struggle for an average family with even one child to afford it.[57] Thus, the use of maternal capital for educational purposes is rather limited. Given the fact that most maternal capital recipients use it to 'improve their living conditions,' and court practice is inconsistent in terms of interpreting what transactions amount to such an improvement,[58] it is not surprising that the most fraudulent uses of maternal capital relate to real estate.[59] In certain regions of Russia, however, particularly in the south, frauds involving 'fake children' have been detected. This type of fraud involves obtaining false documents that indicate the birth of a child and often involves the collusion of 'mothers,' OBGYNs, and pediatricians.[60] For the most part, however, families want to 'monetize' maternal capital and be able to spend the money on what they truly need, instead of being limited by the strictly prescribed usages for such capital that have been outlined by the state.[61]

4. Common Frauds Perpetrated with Maternal Capital

Although estimates of the extent of maternal capital fraud vary, they all agree that it is very widespread.[62] Some of the more typical schemes for monetizing maternal capital through real estate transactions include: 1) obtaining mortgages on property belonging to a criminal organization; 2) buying property from relatives; 3) buying property for an inflated price; and 4) buying non-existent property that is resold immediately.

The first scheme involves the holder of the maternal capital certificate (usually the mother) entering into a fake purchase agreement for a property that is controlled

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57 *See Maternal Capital Portal*, *supra* n. 31.

58 *Фиошин А.В.* Материнский (семейный) капитал: некоторые особенности судебной практики // Российская юстиция. 2013. № 4. С. 60, 62 [Fioshin A.V. *Materinskii (semeinyi) kapital: nekotorye osobennosti sudebnoi praktiki // Rossiiskaya yustitsiya.* 2013. No. 4. S. 60, 62 [Alexander V. Fioshin, *Maternal (Family) Capital: Some Peculiarities of Jurisprudence*, 2013(4) Russian Justice 60, 62]], available at <http://www.center-bereg.ru/c120.html> (accessed Jul. 27, 2015).

59 Since the commencement of the maternal capital program, only 0.4% of participants used it towards the mother's pension. The reason for such low usage is a lack of trust that the pension fund will actually make any money in the future. *See* Gorovtsova, *supra* n. 52.

60 One of the reasons this type of fraud is particularly widespread in the south of Russia is due to a high number of home births in the region, as compared with the rest of Russia. *See Мун О.* Махинации с материнским капиталом // Жилищное право. 2013. № 6 [Mun O. *Makhinatsii s materinskim kapitalom // Zhilishchnoe pravo*. 2013. No. 6 [Oksana Mun, *Frauds with Maternal Capital*, 2013(6) Housing Law]], available at <http://www.top-personal.ru/estatelawissue.html?466> (accessed Jul. 27, 2015).

61 Borozdina et al., *supra* n. 55.

62 Estimates about fraudulent usages of maternal capital vary between 20 and 70%, depending on the region. *See* «Обналичка» маткапитала аукнется в будущем ['*Obnalichka' matkapitala auknetsya v budushchem* [*Cashing of the Maternal Capital Will Backfire in the Future*]], <http://www.bkn.ru/Articles/3014-Obnalichka_matkapitala_auknietsia_v_budushchiem.html> (accessed Jul. 27, 2015).

by a criminal organization. Then, a request for a mortgage (usually in the amount of the maternal capital) is made either to a 'friendly' bank or a small loan agency. The Pension Fund then directs the maternal capital to the bank or loan agency to pay the mortgage, which is subsequently transferred to the seller (*i.e.* the criminal organization).[63] The criminal organization, in turn, shares the money with the mother, after taking a significant amount for its 'services.'[64] This type of a scheme has become quite popular in the wake of the 2011 amendment that no longer requires the family to wait until the child turns three years old if the maternal capital is to be used towards a mortgage payment.[65] Such schemes are particularly dangerous, because a criminal organization can refuse to share the maternal capital funds with the mother[66] and, if fraud is discovered, the mother not only would have to repay such monies to the Pension Fund[67] but also would face criminal charges under Art. 159 ('Fraud') of the Russian Criminal Code.[68] Hence, mothers who have been defrauded in this way often do not come forward to report these crimes.[69]

The second scheme entails purchasing real estate from relatives (preferably with a different last name from the holder of the maternal capital certificate). These

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63 Bekreneva, *supra* n. 33.

64 *See* Материнский капитал: обналичивание незаконно [*Materinskii capital: obnalichivanie nezakonno* [*Maternal Capital: Cashing Is Illegal*]], <http://kapitalm.ru/moshennichestvo/materinskij-kapital-obnalichivanie-nezakonno> (accessed Jul. 27, 2015).

65 *See* Art. 7(6)(1) of the Federal Law No. 256-FZ.

66 *Андреев А.* Первое дело о хищениях маткапитала ушло в суд [Andreev A. *Pervoe delo o khishcheniyakh matkapitala ushlo v sud* [Andrey Andreev, *The First Case of Theft of Maternal Capital Was Sent to Court*]], *Rossiiskaya gazeta* (Aug. 16, 2013).

67 *See* Decision of the Supreme Court of the Russian Federation of September 24, 2013. Case No. 82-KG13-4 (stating that when a real estate transaction is null and void due to fraud, maternal capital funds have to be repaid to the Pension Fund); *see also* Decision of the Supreme Court of the Russian Federation of November 23, 2012. Case No. 88-KG12-2 (stating that the courts should consider the substance of the transaction in determining whether the 'living conditions were improved').

68 *See Гуляев Е.* В Кудымкаре раскрыто мошенничество с материнским капиталом [Gulyaev E. *V Kudymkare raskryto moshennichestvo s materinskim kapitalom* [Evgeny Gulyaev, *Fraud with Maternal Capital Uncovered in Kudymkar*]], *Vesti* (Feb. 5, 2013), <http://www.vesti.ru/doc.html?id=1024163> (accessed Jul. 27, 2015); Тольяттинку и риэлтора будут судить за мошенничество с материнским капиталом [*Tol'yattinku i rieltora budut sudit' za moshennichestvo s materinskim kapitalom* [*A Resident of Tolyatti and a Realtor Will Be Prosecuted for Fraud with Maternal Capital*]], TLTnews.ru (Aug. 17, 2013), <http://www.tltnews.ru/tlt_news/16/430893/> (accessed Jul. 27, 20145); Женщину будут судить за мошенничество с материнским капиталом [*Zhenshchinu budut sudit' za moshennichestvo s materinskim kapitalom* [*A Woman Will Be Prosecuted for Fraud with Maternal Capital*]], MK.ru (Aug. 19, 2013), <http://brl.mk.ru/news/2013/08/19/901508-zhenschinu-budut-sudit-za-moshennichestvo-s-materinskim-kapitalom.html> (accessed Jul. 27, 2015).

69 *Рубникович О., Ильина Н., Бутрин Д., Антонов К.* Материнский капитал выводили по всей стране [Rubnikovich O., Iliina N., Butrin D., Antonov K. *Materinskii kapital vyvodili po vsei strane* [Oleg Rubnikovich et al., *Maternal Capital Was Cached All Over the Country*]], *Kommersant* (Nov. 20, 2013), <http://www.kommersant.ru/doc/2347986> (accessed Jul. 27, 2015).

relatives continue to live in the apartment or the house and return the maternal capital money they receive from the Pension Fund to the mother.[70]

The third scheme consists of buying a property that is either not fit for habitation or is located in a very remote rural area where real estate prices are low. The property is supposedly sold for the amount of maternal capital received, when in reality it is worth much less. Once the seller of the property receives the money, he / she will return the money to the buyer, minus the real purchase price. In reality, the buyer has no interest in actually living on the property and hence the property can be used multiple times by many different individuals wanting to monetize their maternal capital.[71]

The fourth scheme involves 'purchasing' a non-existent property that is resold right away. This scheme is popular with the holders of maternal capital certificates who already own real estate and are not looking to buy. Hence, the fake property is frequently 'bought' in an area where prices are easily covered by the maternal capital. Often such property is bought through a real estate agency that participates in this fraud and later shares the money with the holders of maternal capital certificates after subtracting fees for their services.[72]

5. Why Is Fraud So Prevalent?

Given the numerous fraudulent schemes associated with maternal capital and the related corruption surrounding it, the obvious question that needs to be considered is, why is maternal capital fraud so prevalent, especially given the fact that it involves ordinary families trying to raise their children and is often perpetrated by young mothers? One of the primary reasons for why this particular type of fraud is so widespread is the very limited number of uses prescribed by the state for maternal capital. Most families with children need the money right away to satisfy their daily needs.[73] This is especially true when it comes to single mothers with multiple children or families with sick or disabled children.[74] Thus, the limited ways that maternal capital can be used is what breeds most fraud and corruption surrounding it.

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[70] *Гагаева К., Тычкин К.* Мошеннические схемы: от «обналички» маткапитала до рейдерства // Жилищное право. 2012. № 9 [Gagaeva K., Tychkin K. *Moshennicheskie shemy: ot 'obnalichki' matkapitala do reiderstva // Zhilishchnoe pravo*. 2012. No. 9 [Kseniya Gagaeva & Konstantin Tychkin, *Fraudulent Schemes: From Maternal Capital Cashing to Raiding*, 2012(9) Housing Law]], available at <http://lexandbusiness.ru/view-article.php?id=1124> (accessed Jul. 27, 2015).

[71] Bekreneva, *supra* n. 33.

[72] Mun, *supra* n. 60.

[73] Borozdina et al., *supra* n. 55.

[74] Заем под материнский капитал – средства обналичить не получится! [*Zaem pod materinskii kapital – sredstva obnalichit' ne poluchitsya!* [*Loan under the Maternal Capital – Cashing is Impossible!*]], *Pravo sotsial'nogo obespecheniya* (Jan. 10, 2014), <http://system-social.ru/semj/materinskij_kapital/zaem.html> (accessed Jul. 27, 2015).

To most families, it makes little sense that maternal capital cannot be used to treat a sick or a disabled child,[75] to buy a car (especially in large cities), or to conduct essential repairs on a house or an apartment.[76]

One of the purposes designated by the state for maternal capital is to 'improve living conditions,' but this phrase has received a very narrow and inconsistent interpretation by the courts.[77] Allowing maternal capital to be used to conduct necessary repairs would dramatically improve living conditions for many young Russian families who often live in cramped and dilapidated apartments together with their elderly parents. Similarly, maternal capital cannot be used to purchase land on which the house will be built at some point in the future.[78] Thus, a family with children frequently cannot use maternal capital for the purposes that would truly improve their lives. Instead, they either do not take advantage of the program or are driven to commit fraud by monetizing the maternal capital to which they are entitled.

Even if a family decides to 'improve their living conditions' through a purchase of better housing, in most cases the amount of maternal capital is not enough to make a substantive difference.[79] For example, at the end of 2006, it was only possible to purchase two square meters of property in Moscow using maternal capital. Since then, the real estate prices have risen even further in most large cities in Russia.[80] Furthermore, in a hot real estate market with competing bids, sellers frequently do not want to wait for up to two months for the Pension Fund to transfer the maternal capital funds. Hence, buyers relying on such funds are placed at a disadvantage.[81]

Some families have attempted to use maternal capital to pay off a mortgage. In 2011, it became possible to apply to the Pension Fund right after the birth of

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[75] Several bills which would allow maternal capital to be used to treat sick or disabled children were voted down in the State Duma due to the fact that healthcare is free in the Russian Federation. However, poor conditions and lack of resources at many state hospitals make it impossible for those institutions to address the needs of seriously ill patients, driving individuals into private healthcare facilities. *See Maternal Capital – News and Changes in 2014*, *supra* n. 32.

[76] Thus, a family can buy a small house in a remote village, which they do not need, but cannot conduct quality repairs on their current home. *See* Материнский капитал: вопросы и ответы, *supra* note 45.

[77] Fioshin, *supra* n. 58, at 60–62.

[78] *Maternal Capital: Questions and Answers*, *supra* n. 45.

[79] Rivkin-Fish, *supra* n. 6, at 717.

[80] *Севрюков Н.* Россия планирует осуществить первый демографический взрыв [Sevryukov N. *Rossiya planiruet osushchestvit' pervyi demograficheskii vzryv* [Nikolay Sevryukov, *Russia Plans to Carry Out the First Population Explosion*]], VIPERSON (Jan. 18, 2007), <http://viperson.ru/articles/nikolay-sevryukov-rossiya-planiruet-osuschestvit-pervyy-demograficheskiy-vzryv> (accessed Jul. 27, 2015).

[81] *Баталова А.* Не детская доля. На Урале участились случаи незаконных сделок с материнским капиталом [Batalova A. *Ne detskaya dolya. Na Urale uchastilis' sluchai nezakonnykh sdelok s materinskim kapitalom* [Alyona Batalova, *Not a Children Share. More Frequent Cases of Frauds with Maternal Capital in Urals*]], *Rossiiskaya gazeta* (Sep. 29, 2014), <http://www.rg.ru/2011/09/29/reg-ural/kapital.html> (accessed Jul. 27, 2015).

a second or a subsequent child in order to do so. However, securing a mortgage from a bank is often difficult for young or lower-income families.[82] Although there are some special mortgage programs aimed at young families (both parents must be under thirty years of age), the problem is that the increase in real estate prices outpaces new home construction, 'putting new or bigger apartments out of reach for the majority of young families.'[83] Due to the fact that banks frequently have too many restrictions in place in terms of granting mortgages, it is not surprising that many families have turned to micro-credit organizations to obtain loans.[84] While many of these loans are perfectly legitimate, multiple cases of fraud have been detected involving micro-credit agencies.[85] In 2013 the Government passed legislation designed to clamp down on fraudulent transactions perpetrated by these agencies. The law states that only prescribed organizations can now grant real estate loans and work with maternal capital funds (prior to this legislation, any micro-credit organization could make a request to the Pension Fund to transfer maternal capital funds to it to cover a loan for the purchase of real estate).[86] While the purpose of this legislation is to reduce fraud, it will undoubtedly have an impact on young and lower-income families; they will no longer be able to secure credit to purchase real estate, since most of the loan granting agencies will now have criteria similar to those of the banks.

Another option that is popular with young families is to purchase property from their relatives. In many cases such transactions constitute the only way for such families to improve their living conditions. However, these types of transactions are also associated with high levels of fraud and are scrutinized more severely by

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[82] *Лукин Д*. Кто и зачем конвертирует материнский капитал в уголовные дела? [Lukin D. *Kto i zachem konvertiruet materinskii kapital v ugolovnye dela?* [Dmitry Lukin, *Who and Why Converts Maternal Capital in Criminal Procedings?*]], FLB (Jun. 6, 2012), <http://flb.ru/info/51227.html> (accessed Jul. 27, 2015).

[83] Nabi Abdullaev, *Boosting Population a Vague Science*, The Moscow Times (Jul. 11, 2008), <http://www.themoscowtimes.com/news/article/368867.html> (accessed Jul. 27, 2015). On March 16, 2014, the Russian government launched a program aimed at construction of affordable housing, where the price of such housing would not exceed 30,000 rubles for one square meter. *See Maternal Capital Portal*, *supra* n. 31.

[84] Lukin, *supra* n. 82.

[85] Rubnikovich et al., *supra* n. 69.

[86] *See* Федеральный закон от 7 июня 2013 г. № 128-ФЗ «О внесении изменений в статьи 8 и 10 Федерального закона «О дополнительных мерах государственной поддержки семей, имеющих детей»» [*Federal'nyi zakon ot 7 iyunya 2013 g. No. 128-FZ 'O vnesenii izmenenii v stat'i 8 i 10 Federal'nogo zakona "O dopolnitel'nykh merakh gosudarstvennoi podderzhki semei, immeyushchikh detei"'* [Federal Law No. 128-FZ of June 7, 2013, 'On Amendments to Articles 8 and 10 of the Federal Law "On Additional Government Support Measures of Families with Children"']]; *see also: Zaem pod materinskii kapital – sredstva obnalishit ne poluchitsya!*, *supra* n. 74; Круглый стол: «Материнский капитал: практика и проблематика» (28 сентября 2012 года) (стенограмма) [*Kruglyi stol:'Materinskii kapital: praktika i problematika' (stenogramma)* [*Round Table: 'Maternal Capital: Practice and Problems' (Sep. 28, 2012) (stenograph)*]], <http://www.chelduma.ru/news/v-chelyabinske-obsudili-problemy-materinskogo-kapitala> (accessed Jul. 27, 2015).

the Pension Fund and the courts.[87] Many young families with children are unable to secure a loan or provide a down payment, so they try to monetize maternal capital funds to pay off their relatives who helped them out, or they try to use these funds for their daily needs and continue to share their living quarters with their relatives.[88]

A further problem that drives families with children to monetize maternal capital funds, instead of actually purchasing property, is the requirement prescribed in the legislation that all family members (*i.e.* husband, wife, and all the children) must register as property owners if maternal capital funds are being used to purchase property. All family members are to be registered as property owners in 'agreed upon shares.'[89] This requirement has proven to be quite problematic for families that in the future may want to sell the property that they acquired utilizing maternal capital funds; it has also been problematic for the banks and other credit organizations that grant mortgages and do not include underage children as property owners on any of the documents. The Pension Fund requires an undertaking to be signed by registered property owners, which states that upon the discharge of their mortgage obligations, they will register all family members as property owners in agreed upon shares within six months.[90] The Procuracy of the Russian Federation is supposed to track down those who do not comply with such an undertaking.[91] While the theoretical rational behind these provisions is clear, in practice these requirements are highly problematic. Many mortgages are 15 or 20 years in duration, so once the mortgage is paid out in full, the children are no longer underage and may simply not be aware of their rights under the maternal capital legislation (this program may not even exist at that point in the future). Furthermore, it would be hard for the Procuracy to check on all of the real estate transactions that have involved maternal capital, and checking these transactions would be selective at best.[92] Moreover, the violation of the obligation to register underage children may lead to unwinding of future sales involving innocent third-party buyers. The court practice has so far been

87 *See* Decision of the Supreme Court of the Russian Federation of November 23, 2012.Case No. 88-KG12-2.

88 Материнский капитал. Судебная практика [*Materinskii capital. Sudebnaya praktika* [*Maternal Capital. Jurisprudence*]], *ZAO Stroibeton* (Aug. 23, 2012), <http://stroybeton.spb.ru/articles/2157-materinskij-kapital-sudebnaya-praktika> (accessed Jul. 27, 2015).

89 *See* Art. 10(4) of the Federal Law No. 256-FZ.

90 *See* sec. 13(zh) of the Decree of the Government of the Russian Federation No. 832 of December 12, 2007.

91 *See* Приказ Генеральной прокуратуры Российской Федерации от 27 ноября 2007 г. № 188 «Об организации прокурорского надзора за исполнением законов о несовершеннолетних и молодежи» [*Prikaz General'noi prokuratury Rossiiskoi Federatsii ot 27 noyabrya 2007 g. No. 188 'Ob organizatsii prokuroskogo nadzora za ispolneniem zakonov o nesovershennoletnikh i molodezhi'* [Order of the General Public Prosecutor's Office No. 188 of November 27, 2007, 'On Procuracy Supervision of Obligations Arising in Respect of Laws Concerning Underage Children]].

92 *Round Table: 'Maternal Capital: Practice and Problems' (Sep. 28, 2012) (stenograph)*, *supra* n. 86.

inconsistent in regard to the validity of such future sales, where the property rights of children were not registered.[93] In any case, a family may have trouble reselling property acquired with maternal capital funds, as future buyers may be wary of entering into such transactions.

Ultimately, what underlies using maternal capital for most real estate fraud cases as well as the low usage of such capital for education and pension purposes is people's lack of trust in sustainable state institutions. Mothers and their families want the money here and now because they do not believe that the money will be available in the future (in part, such belief is justified by the turbulent history of the 1990[s] and several bank collapses).[94] The other side of the coin is that the state does not trust its citizens to use maternal capital money in a responsible fashion and has thus prescribed very limited usages for these funds.[95] This lack of trust on both sides creates fertile ground in which fraud and corruption flourish.

6. Impact of Maternal Capital on Birth Rates

In addition to figuring out why fraud is so prevalent when it comes to maternal capital, another very important issue that needs to be considered is whether maternal capital is going to make a difference when it comes to increasing Russia's birthrate – the purpose for which it was introduced in the first place.

What needs to be acknowledged is that maternal capital is not changing the underlying root causes that drive Russian families to settle for only one child. Most Russian cities simply lack the infrastructure to support families with children. There is an absence of safe modern playgrounds for children, and public transportation and city streets have not been adapted to accommodate mothers with strollers.[96] There is a lack of affordable housing for young families. It is very difficult to find apartments that have more than two bedrooms within a reasonable price range.[97]

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[93] *See Комаров И*. Правда о материнском капитале. Всегда ли законны сделки с использованием материнского капитала? (коментарий к статье «Махинации с материнским капиталом» Оксаны Мун) // Жилищное право. 2013. № 12 [Komarov I. *Pravda o materinskom kapitale. Vsegda li zakonny sdelki s ispol'zovaniem materinskogo kapitala? (kommentarii k stat'e 'Makhinatsii s materinskim kapitalom' Oksany Mun) // Zhilishchnoe pravo*. 2013. No. 6 [Iliya Komarov, *The Truth about the Maternal Capital. Are the Transactions with Maternal Capital Always Legal? (comments to the Oksana Mun's article 'Frauds with Maternal Capital'*), 2013(6) Housing Law]], available at <http://mat-kap.ru/komarov> (accessed Jul. 27, 2015).

[94] Borozdina et al., *supra* n. 55, at 114.

[95] *Round Table: 'Maternal Capital: Practice and Problems' (Sep. 28, 2012) (stenograph)*, *supra* n. 86.

[96] *Infrastructure for Children*, The Moscow Times (Sep. 5, 2007), <http://www.themoscowtimes.com/sitemap/free/2007/9/article/infrastructure-for-children/194590.html> (accessed Jul. 27, 2015).

[97] *Шеин О*. Финансовая помощь семьям не решает демографической проблемы [Shein O. *Finansovaya pomoshch' semyam ne reshaet demograficheskoi problemy* [Oleg Shein, *The Financial Support to Families Does Not Solve the Demographic Problem*]], *Demograficheskaya politika* (Jun. 14, 2006), <http://demografia.viperson.ru/main.php?IH=9088&ID=418924&PG=4> (accessed Jul. 27, 2015).

Finding daycare spaces is another major issue. In many larger cities parents have to get in line for a place in publicly subsidized daycare before their children are born and, even then, there is no guarantee of a space. There are 'currently about 1 million families on [daycare] waiting lists.'[98] Furthermore, maternal capital does not solve the issue of discrimination faced by pregnant women or women with young children in the workplace.[99] Although the Russian Labor Code and the Constitution guarantee equality between men and women, such equality is only theoretical in nature.[100] For instance, it is 'common practice for employers in Russia to put gender and age requirements in their want ads.'[101] The gender wage gap in Russia is still between 35 and 40%.[102] Overall, maternal capital cannot compensate women for time out of the workforce and does nothing to combat stereotypes about women with children that are already prevalent within Russian working culture.[103] Often, Russian women with higher levels of education and good possibilities of career advancement forego having children altogether. In the words of one Russian celebrity, 'capitalism acts as the best form of contraception.'[104]

Moreover, the whole idea of a family with multiple children is not a popular one in Russia, so providing material incentives to families in the form of maternal capital is unlikely to result in a radical change in attitudes. The Government has recently attempted to increase the popularity of larger families through innovative campaigns, including posting large billboards in major cities that lionize Russian cultural icons who were third children in their families, such as Yuri Gagarin and Anton Chekhov.[105] However, despite these promotional efforts, the number of families in Russia with more than one child keeps declining.[106] Larger families are not

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98 *Infrastructure for Children*, *supra* n. 96.

99 Borozdina et al., *supra* n. 55, at 115.

100 Rivkin-Fish, *supra* n. 6, at 716.

101 Lena Smirnova, *Demographics and Careers Collide for Women Workers*, The Moscow Times (Oct. 29, 2012), <http://www.themoscowtimes.com/business/article/demographics-and-careers-collide-for-women-workers/470534.html> (accessed Jul. 27, 2015).

102 *Новикова Е.* Российские женщины жалеют, что родились женщинами [Novikova E. *Rossiiskie zhenshchiny zhaleyut,* chto rodilis' zhenshchinami [Elena Novikova, *Russian Women Regret Being Born Female*]], *Rossiiskaya gazeta* (Mar. 9, 2011).

103 Rivkin-Fish, *supra* n. 6, at 716; *see also* Svetlana Osadchuk, *Odds Stacked against Breast-Feeding Moms*, The Moscow Times (Apr. 24, 2008), <http://www.themoscowtimes.com/news/article/odds-stacked-against-breast-feeding-moms/362274.html> (accessed Jul. 27, 2015).

104 *Акпаров В.* Демографическая ситуация в России в 2010 году по данным переписи населения [Akparov V. *Demograficheskaya situatsiya v Rossii v 2010 godu po dannym perepisi naseleniya* [Valery Akparov, *The Demographic Situation in Russia in 2010 According to Census*]], *Milliardnaya Rossiya: Proekt pensionnoi reformy* (Dec. 17, 2011), <http://akparov.ru/node/267> (accessed Jul. 27, 2015).

105 Они родились третьими [*Oni rodilis' tret'imi* [*They Were Born Third*]], *Miloserdie.ru* (May 18, 2011), <http://old.miloserdie.ru/articles/oni-rodilis-tretimi> (accessed Jul. 27, 2015).

106 This concern about one-child families is not new for Russia. In both the 1970^{s} and 1980^{s}, the Government attempted to portray small families as 'deviant and dangerous phenomenon.' However,

popular for a number of reasons. Some of them are quite obvious, such as generally low incomes, lack of stable employment, and unsatisfactory living conditions. Many Russians also associate large families with migrants from the North Caucasus and Central Asia – both regions that experience high birthrates. Russians view these migrants very unfavorably and associate them with increased insecurity and threats to Russian cultural values.[107] It is not surprising, then, that when the program of maternal capital payments commenced, the largest share of these subsidies was going to mostly non-Slavic areas of the Russian south, which have traditionally had higher birth rates, such as Chechnya and Dagestan. However, after a few years, the birth rates started to increase in the Russian north as well, especially in Siberia. What is notable is that birthrates remained the same in such large metropolitan cities as Moscow. In part, this can be explained by significantly higher prices in these major urban areas, especially real estate prices. Thus, the purchasing power of maternal capital is much lower in major cities.[108]

Given all the barriers to larger families that exist in Russia, families that decide to have more than one child are, for the most part, not influenced by maternal capital, but rather view it only as a 'bonus.'[109] Maternal capital does not play a role in increasing the number of children that a particular family may have; what it may do, however, is shrink the number of years between the births of those children.[110] Hence, the increase in birth rate since the introduction of maternal capital in 2007[111] can be explained by births being more concentrated in a certain time period as well as the baby boomers of the 1980[s] reaching their peak reproductive years.[112]

One-time cash payments, such as maternal capital, are much easier to provide than adequate housing, daycare programs, subsidized after-school programs, and

during the transition years of the 1990[s] and early 2000[s], these discussions ceased. *See* Rivkin-Fish, *supra* n. 6, at 708, 710.

107 Akparov, *supra* n. 104.

108 *Тимаков В.* Эксперт: Материнский капитал оказался эффективным [Timakov V. *Ekspert: Materinskii kapital okazalsya effektivnym* [Vladimir Timakov, *Expert: Maternal Capital Proved to Be Effective*]], *Rossiiskaya gazeta* (Oct. 15, 2014), <http://www.rg.ru/2014/10/15/reg-cfo/timakov.html> (accessed Jul. 27, 2014).

109 Borozdina et al., *supra* n. 55.

110 *Быстров А.А.* Материнский капитал: стимулирование рождаемости? // Социологические исследования. 2008. № 12. С. 91 [Bystrov A.A. *Materinskii kapital: stimulirovanie rozhdaemosti? // Sotsiologicheskie issledovaniya.* 2008. No. 12. S. 91 [Andrey A. Bystrov, *Maternal Capital: Stimulating the Birth Rate?*, 2008(12) Sociological Research 91]], available at <http://ecsocman.hse.ru/socis/msg/19145354.html> (accessed Jul. 27, 2015).

111 In the interview with the *Ekho Moskvy* radio station in 2013, the Minister of Labor and Social Protection Maxim Topilin stated that the birth rate has risen 30% since the introduction of maternal capital. *See Russia's Birth Rate up 30% since 2007*, The Moscow Times (Jun. 20, 2013), <http://www.themoscowtimes.com/news/article/russias-birth-rate-up-30-since-2007/481993.html> (accessed Jul. 27, 2015).

112 Natalya Krainova, *Experts Dismiss Population Rise as Momentary Blip*, The Moscow Times (Dec. 12, 2012), <http://www.themoscowtimes.com/article/472977.html> (accessed Jul. 27, 2015).

extended maternity leaves. Ultimately, such payments are 'not that efficient from the point of view of long-term influence on fertility.'[113] The Russian government needs to address issues beyond fertility, if it wants to mitigate the current negative demographic situation. To do so, the two most immediate issues that the Government needs to consider are high death rates and migration.

While Russia's low birthrate is not unique, especially when it comes to Europe, its death rate, particularly among males, is exceptional. While Western life expectancy has increased by 10 years to 78 years (for males) since the mid-1960s, Russian life expectancy has yet to regain the life-expectancy levels of 64.89 years (for males) of 1964.[114] The primary causes of death, which include excessive alcohol consumption and cardiovascular disease, are highly preventable through both the promotion of healthy lifestyles and proper investment in public healthcare.[115] Russian public healthcare has been deteriorating ever since the collapse of the Soviet Union, and the 'national programs and reforms in public health are chaotic, inconsistent, and often have the character of public relations events.'[116] Thus, access to quality healthcare remains very uneven.[117]

While the birth and death rates have remained relatively unchanged, Russia has also been unable to replenish its population through migration. Although Russia has an immense territory, its population is only 142.9 million. Thus, the country's greatest poverty 'is the sparseness of its population over an immense territory,' especially when it comes to the resource-rich and strategically important Far East.[118] While many ethnic Russians returned to Russia from the 'sister republics' following the collapse of the Soviet Union in 1991, this stream of migration is now over. Most migrants that

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[113] The experience of European countries with maternal allowances from the 1970s to 1990s showed that the birth rates increased only for five to six years before leveling out again. See Krainova, *supra* n. 113; *see also* Jessica Bechman, *State Demography Policy Won't Work, UN Warns*, The Moscow Times (Apr. 27, 2009), <http://www.themoscowtimes.com/news/article/tmt/376593.html> (accessed Jul. 27, 2015).

[114] *See* Philippe Descamps, *Russia's Demographic Crisis,* Le Monde diplomatigue, Jul. 15–17, 2011, available at <http://joun.leb.net/descamps07152011.html> (accessed Jul. 27, 2015); *see also* David A. Leon, *Trends in European Life Expectancy: A Salutary View*, 2011 Int'l J. Epidemiol. 1, 2 (2011), available at <http://www.oxfordjournals.org/our_journals/ije/press_releases/freepdf/dyr061.pdf> (accessed Jul. 27, 2015). doi:10.1093/ije/dyr061

[115] For example, cardiovascular diseases account for 55% of all deaths, four times the rate of Western Europe. *See* Abdullaev, *supra* n. 83.

[116] Maria Avdeeva et al., *Russia's Demographic Crisis, Carnegie Endowment for International Peace* (Jan. 26, 2012), <http://carnegieendowment.org/2012/01/26/russia-s-demographic-crisis/9aml> (accessed Jul. 27, 2015).

[117] Abdullaev, *supra* n. 83.

[118] The Russian Far East is larger than the European Union, but only has 6.4 million people. Its population density is not even a hundredth of what it is in its neighbor China. *See* Descamps, *supra* n. 115; *see also* Fred Weir, *Putin Vows to Halt Russia's Population Plunge with Babies, Immigrants*, The Christian Science Monitor (Feb. 14, 2012), <http://www.csmonitor.com/World/2012/0214/Putin-vows-to-halt-Russia-s-population-plunge-with-babies-immigrants> (accessed Jul. 27, 2015).

still want to come to Russia tend to be economic migrants from Central Asia and the Caucasus. The ethnic Russian population, however, consistently demonstrates 'extremely low tolerance for migrants,' especially those who are non-Slavic. Moreover, migration to Russia is further complicated by the bureaucratic measures that are supposedly in place to combat illegal migration.[119]

7. The Future of Maternal Capital

The immediate future of the maternal capital program was placed into question in October 2014, when the Ministry of Economic Development suggested that the program be suspended in 2015 (prior to its official end date of 2016). According to the Ministry, the cancellation of the program would result in a savings of 300 billion rubles (approximately US$8.3 billion).[120] The Ministry was tasked with optimizing budget expenses due to the difficult political and economic situation that Russia currently finds itself in.

After the Russian annexation of the Crimean peninsula in March of 2014, which is not recognized by the US and the EU, successive rounds of economic sanctions were imposed on Russia. Russia is also being blamed for tacitly supporting rebel forces in the current Ukrainian conflict, an accusation that Russia denies. In addition to Western sanctions, the Russian economy has been seriously affected by the falling oil prices – a commodity that provides the greatest contribution to the Russian budget.[121] The combined effect of sanctions and falling oil prices has slowed down economic growth to 0.5%, while inflation has soared to 8%.[122] Moreover, foreign banks, which are still trying to restore their tarnished reputations after the 2008 financial crisis, have tightened credit for all Russian companies, even those not included on any economic sanctions lists. Retail prices are rising due to Russia's retaliatory ban on European foodstuffs, thus consumers have started to rein in spending and the business elite is feeling uncertain about future projects involving foreign investors.[123] Moreover, the federal government has promised a creation of a multibillion-dollar

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119 Avdeeva et al., *supra* n. 116.

120 Минэкономразвития предложило отменить материнский капитал [*Minekonomrazvitiya predlozhilo otmenit' materinskii kapital* [*Ministry of Economic Development Suggested to Abolish Maternal Capital*]], Lenta.ru (Oct. 1, 2014), <http://lenta.ru/news/2014/10/01/matkap/> (accessed Jul. 27, 2015).

121 According to official estimates, the oil and gas revenues constitute approximately 60% of the federal budget. The actual contributions may be even higher. *See* Ivan Grachev & Sergei Guriev, *Russia's Oil: Luck or Curse?*, Russia & India Report (Oct. 26, 2012), <http://in.rbth.com/articles/2012/10/26/russias_oil_luck_or_curse_18655.html> (accessed Jul. 27, 2015).

122 Kenneth Rapoza, *For Putin, Oil Decline Worse Than Obama's Sanctions*, Forbes (Oct. 9, 2014), <http://www.forbes.com/sites/kenrapoza/2014/10/09/declining-oil-hurting-putins-economy-more-than-u-s-sanctions/> (accessed Jul. 27, 2015).

123 Jennifer Rankin, *Russian Sanctions Start to Bite as Growth Forecasts are Downgraded*, The Guardian (Aug. 17, 2014), <http://www.theguardian.com/world/2014/aug/17/russia-lending-sanctions-impact-on-economy> (accessed Jul. 27, 2015).

bailout fund for companies hurt by Western sanctions imposed over the Ukraine crisis. This measure is quite indicative of the country's belief that it is entering into a 'long period of economic isolation.'[124]

Given all these pressures, it is not surprising that the Ministry of Economic Development has been tasked with finding programs that can be cut, in order to minimize funds that need to be taken out of Russia's reserve fund. The maternal capital program has been an expensive one to run. Furthermore, the Government has made a promise that, commencing in 2015, families living in the Crimean peninsula can take advantage of the maternal capital program, if they gave birth to or adopted a second or subsequent child as of January 1, 2007. This 'territorial extension' of maternal capital would cost the Russian federal budget an additional 3.4 billion rubles (US$83.3 million) a year.[125] The Ministry of Economic Development expressed a view that maternal capital does not, in fact, increase the number of children, but rather readjusts the timing of births for families that have already made a decision to have more than one child.[126]

The news of a possible suspension of the maternal capital subsidy was met with significant public outcry. The Ministry of Economic Development was shamed for 'trying to economize on mothers,' especially since the children of the 1990[s] (already a smaller population) were entering their reproductive years and would be left once again without state support.[127] Various politicians and public advocates noted that the problem of demographic growth was more important than the impact from any sanctions, as population growth has to do with the very survival of a nation.[128] After the public anger began to build, the Government quickly issued reassurances that the maternal capital program would not be suspended in 2015 but would be allowed to operate in the same format as originally planned until the end of 2016. Russian Vice Premier Olga Golodets reassured the public that the federal budget has the funds to sustain this program until 2017.[129]

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124 Alexander Kolyandr & Andrey Ostroukh, *Russia Plans Emergency Fund for Companies Hurt by Ukraine Sanctions*, Wall Street Journal (Sep. 15, 2014), <http://www.wsj.com/articles/russia-plans-emergency-fund-for-companies-hurt-by-ukraine-sanctions-1410802572> (accessed Jul. 27, 2015).

125 На материнский капитал в Крыму нужно 3 млрд рублей ежегодно [*Na materinskii kapital v Krymu nuzhno 3 mlrd. rublei ezhegodno* [*Three Billion Rubles Are Necessary Annually for Maternal Capital in Crimea*]], <http://region-matkapital.ru/novosti/matkapital-krym-3-mlrd/> (accessed Jul. 27, 2014).

126 *Ministry of Economic Development Suggested to Abolish Maternal Capital*, *supra* n. 120.

127 Материнский капитал отменят в 2017 году, но на замену хотят ввести новую программу [*Materinskii kapital otmenyat v 2017 godu, no na zamenu khotyat vvesti novuyu programmu* [*Maternal Capital Will Be Cancelled in 2017, but It Is Intended to Be Replaced by a New Program*]], <http://finansiko.ru/materinskij_kapital_otmenyat_v_2017_godu/> (accessed Jul. 27, 2015).

128 *Грицюк М*. Материнский капитал никто не тронет [Gritsyuk M. *Materinskii kapital nikto ne tronet* [Marina Gritsyuk, *Maternal Capital Will Stay Intact*]], *Rossiiskaya gazeta* (Oct. 9, 2014), <http://www.rg.ru/2014/10/09/kapital.html> (accessed Jul. 27, 2015).

129 *Зыкова Т*. Капитал никто не отменял [Zykova T. *Kapital nikto ne otmenyal* [Tatyana Zykova, *Nobody Annulled the Capital*]], *Rossiiskaya gazeta* (Oct. 2, 2014), <http://www.rg.ru/2014/10/02/materinsky-

It is quite understandable why there was a public outcry in response to the news of a possible program cancellation. It has taken a while, but people understand how the maternal capital program works, despite all of its imperfections and design flaws. New proposed measures of tying the maternal capital subsidy to income are uncertain and, in a country like Russia, any new bureaucratic development takes a while to start working.[130] The Government, in turn, given the current economic and political situation in Russia and the country's difficult relationship with the West, does not want to risk a massive wave of protests, similar to the ones that occurred in 2005. In 2005 protests and demonstrations over the Government's cancellation and subsequent monetization of many social security benefits took place in dozens of Russian cities. The protesters called for the resignation of both the Government and President Putin.[131] Despite currently high approval rates by Russians of Putin's policies (up to 82%), the regime understands that these ratings have nowhere to go but down and thus does not want to risk undermining its reputation domestically, while it faces Western disapproval over its position in the Ukrainian conflict.[132] Thus, it seems that for now the maternal capital program is secure until the end of 2016, at which point vigorous debates are likely to occur over its renewal and its costs.

8. Conclusion

It is apparent that concerns over plunging birthrates are not new in Russia. Prior to the collapse of the Soviet Union, women's roles as mothers were tied in public discourse to their duty to the state. The state, in return, attempted to provide various social and economic guarantees to mothers to encourage births. After the collapse of the Soviet Union, women's reproductive functions were displaced into the private sphere until the early 2000[s], when the rise of the state became the priority of the Putin administration. The maternal capital program fit well into the administration's statist agenda, especially as the economy started to improve and Russia was awash in 'petro-dollars' that could be spent to pursue this particular political course.

capital.html> (accessed Jul. 27, 2015). Since many aspects of the maternal capital program require waiting to make a claim until the child is three years old, it would mean that the federal budget would have to have funds to support this program at least until the end of 2019, and possibly beyond.

130 Маткапитал: забрать у богатых и отдать бедным [*Matkapital: zabrat' u bogatykh i otdat' bednym* [*Maternal Capital: Take from Rich and Give It to Poor*]], Pravda.ru (Sep. 6, 2013), <http://www.pravda.ru/society/family/06-09-2013/1173329-capital-0/> (accessed October 15, 2014).

131 Neil Buckley & Arkady Ostrovsky, *Huge Protests in Russia over Benefits*, Financial Times (Jan. 17, 2005), <http://www.ft.com/cms/s/0/93dba120-682c-11d9-a11e-00000e2511c8.html#axzz3h7Tp1qRc> (accessed Jul. 27, 2015).

132 Пресса России: рейтинг Путина растет на санкциях [*Pressa Rossii: Reiting Putina rastet na sanktsiyakh* [*Press in Russia: Putin's Rating Grows on Sanctions*]], BBC (Aug. 14, 2014), <http://www.bbc.com/russian/russia/2014/08/140814_rus_press> (accessed Jul. 27, 2015).

In terms of the actual effectiveness of the maternal capital program, a careful assessment reveals that despite the claims that maternal capital will 'raise [women's] social status and help . . . resolve future problems,'[133] this measure is not going to create a desired baby boom.[134] The amount of maternal capital, although not insignificant, is really a fraction of the cost of what it would take to secure adequate housing or to take care of a child's daily needs (especially in the case of sick or disabled children) over the years. It does not solve the issue of work / family balance, gender inequality, lack of child appropriate infrastructure, or one-child family attitudes that currently dominate Russian society. Furthermore, expenses associated with running this program (some of which were not anticipated when the program commenced)[135] are causing the Government to think seriously about continuing the program in the same format beyond 2016, especially given the potential economic recession. Currently, the limited use of maternal capital prescribed by the state displays a fundamental lack of trust towards its citizens, which in turn breeds fraud and corruption. Russian families that are entitled to receive maternal capital view it as a bonus that should be used 'here and now,' as it may not be available in the future.[136] This demonstrates a lack of trust on the part of the people towards the long-term sustainability of state institutions. The current proposals for reform are likely to just exacerbate the situation.[137] Thus, since money cannot buy trust, the outcome is a failed program, despite its noble intentions.

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[133] Quoted in *Vladimir Putin on Raising Russia's Birth Rate*, *supra* n. 1, at 388.

[134] Krainova, *supra* n. 112.

[135] Some of these unanticipated expenses include extending the application of the program to the Crimean peninsula.

[136] The maternal capital program is designed to function for 10 years, so it is not clear what will happen to it after 2016 and if / in what form it will be renewed. *See* Минфин предложил отменить материнский капитал [*Minfin predlozhil otmenit' materinskii kapital* [*Ministry of Finance Proposed to Abolish Maternal Capital*]], *Argumenty i fakty* (Aug. 20, 2013), <http://www.aif.ru/money/mymoney/313859> (accessed Jul. 27, 2015). President Putin has given an indication that the program will continue, although in a significantly reduced form. *See* Программа «Материнский капитал» после 2016 года должна стать более адресной – Владимир Путин [*Programma 'Materinskii kapital' posle 2016 goda dolzhna stat' bolee adresnoi – Vladimir Putin* [*The Maternal Capital Program Must Be More Focused After 2016 – Vladimir Putin*]], TASS (Jul. 15, 2013), <http://tass.ru/obschestvo/634823> (accessed Jul. 27, 2015).

[137] Current debates about reforming maternal capital program center around the issue of whether this subsidy should be tied to family income, *i.e.* only lower-income families would be able to take advantage of this program post-2016. The opponents of these proposals point out that if the program is tied to income, then it will lead to greater non-reporting of income and tax evasion. *See* Komarov, *supra* n. 93.

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