ASSESSMENT OF THE DEGREE OF READINESS OF THE REPUBLIC OF MOLDOVA FOR EU ACCESSION THROUGH THE LENS OF THE MAASTRICHT CRITERIA

DOI: https://doi.org/10.53486/dri2026.13
UDC: 338.1(478):061.1EU

Alexandru NEGRUȘA
Academy of Economic Studies of Moldova
Chisinau, Republic of Moldova
Email account: negrusa.alexandru@ase.md
ORCID ID: 0009-0007-0311-1485

Abstract: *This study analyzes the prospects of EU accession of Republic of Moldova through the lens nominal convergence, also known as Maastricht criteria. Four indicators were analyzed and compared to EU benchmark: price stability, the sustainability of public finance, long-term interest rates and exchange rate stability. The results indicate the economic performance of Republic of Moldova at current state regarding the requirements in adopting the euro and highlight challenges faced by regional countries that are distinctive for emerging economies, such as catching-up effect and structural economic differences between EU member countries and countries on their way to accession. Generally, none of the Maastricht criteria are currently fully met, considering higher than required inflation rate and long-term interest rates, lack of alignment with the Exchange Rate Mechanism II (ERM II), and a high budget deficit. While analysis of experience of regional countries highlights diverse outcomes and time horizons for euro adoption, meeting nominal convergence criteria for Republic of Moldova is supposed to be possible only after achieving EU membership, following years of external assistance and structural economic transitions toward EU standards.*

Keywords: *nominal convergence, Maastricht criteria, price stability, exchange rate stability, fiscal sustainability*

JEL: F15, E62, P27

Introduction

In recent years, the Republic of Moldova has made significant strides in its accession toward the European Union. As the regional situation is strained by geopolitical and economic —such as the war in Ukraine, trade embargoes, and energy crises— EU integration holds strategic importance for long-term economic development and sovereignty. Thus, in recent years have been made big advances, for instance European Council granted Moldova the status of EU candidate country on 23 June 2022, while on 14 December 2023, the Council decided to open accession negotiations. Nevertheless, there is still a long way and numerous changes required in order to align to European standards.

The work focus is on assessing nominal convergence by examining the state of accession through the Maastricht criteria and analyzing the strengths and weaknesses of the current economic environment. Thus, the purpose of the article is by measuring the gap between actual Moldova's indicators and required thresholds to evaluate current state and future perspectives of Euro adoption.

It is important to note that while the Maastricht criteria are prerequisites for adopting the Euro, they are not strictly mandatory for initial EU membership. Accordingly, four indicators were analyzed: price stability, budget deficit and state debt (for measuring fiscal sustainability), exchange rate stability, and long-term nominal interest rates. As literature review and experience of other countries from region will show later, usually Maastricht criteria are met after accession, through years of institutional and economic adjustments to EU standards.

The structure of the study as follows: the first part literature review regarding importance of nominal convergence and analysis of regional states experience, then the methodology of measuring and comparing Maastricht criteria is analyzed as it is stated by European Commission. Finally, the measurement and comparison of Moldovan indicators regarding the reference values (benchmarks for meeting the criteria) are performed, followed by conclusions, future outlook and policy recommendations.

Literature review

The economic rationale underpinning the drive for EU accession is rooted in the theory of convergence. The mechanism of convergence can be meet in many works regaring economic growth, most notably, the Solow growth (Solow, 1956) model predicts capital-scarce economies to experience higher growth rates than capital-abundant ones. This leads to absolute convergence in scenarios where structural parameters are identical, which of course is not the case if we speak about economy of RM in comparison with EU. However, in practice, this catch-up is often 'conditional', occurring only when countries align their savings rates, demographic trends, and technological levels. Furthermore, the beta-convergence hypothesis developed by Barro and Sala-i- Martin (Barro and Sala-i-Martin, 1992) suggests that lower-income economies exhibit higher growth rates than more advanced. This inverse relationship between initial income and growth is also known as a 'catch-up' effect in per capita income levels over the long term and will be discussed later as one of the challanges emergning economies like the Republic of Moldova, Romania, Bulgaria face in form of inflation pressure and higher long-term interest rates.

As this research focuses on nominal convergence, it is important acknowledging that the Maastricht criteria function primarily as a framework for price and fiscal stability. This perspective aligns with Afxentiou's (2000, p. 248) assertion that the Maastricht requirements have a limited relationship with 'convergence proper.' Whereas the latter represents a structural process of catching up through technological integration and institutional reform, the former represents a set of nominal benchmarks.[1] In this context, the four criteria were established by the EU Member States in Maastricht in 1991. Compliance with these criteria was intended to ensure a harmonized fiscal and monetary landscape, providing a base for participation in a highly integrated European economy (Afxentiou, 2000, p. 252). As stipulated by the European Commission, these benchmarks comprise: price stability, the sustainability of public finances, exchange rate stability, and the durability of convergence (that is measured through long-term interest rate levels).

As the Republic of Moldova is an emerging economy, it possesses distinct structural characteristics that differentiate it from established EU member states. These differences pose some challenges to fulfilling the Maastricht criteria. Thus, emerging economies are expected to grow at a significantly faster rate than developed ones, however, this catch-up effect is a double-edged sword (Abramovitz, 1986), meaning that according to the Balassa-Samuelson effect (Balassa, 1964; Samuelson, 1964), rapid productivity growth in the manufacturing sector also exerts upward pressure on wages in services industry that leads to proportionate increase in wages across the entire economy, i.e. leading to inflation pressure and higher long-term interest rates. As a result, the Republic of Moldova faces persistent structural pressure that complicates the maintenance of price stability and exchange rate consistency at the same time as required by the Maastricht framework.

The literature reveals that while some countries have successfully navigated these structural challenges, others continue to face difficulties. For instance, the Convergence Report (European Commission, 2022) noted that Croatia's underlying economic factors were sufficiently robust to support a sustainable convergence path in the medium term. This positive assessment paved the way for Croatia to adopt the euro in 2023. Notably, Croatia remained an EU member for a decade before fulfilling the nominal convergence criteria. This transition was characterized by close collaboration with European authorities, particularly the ECB (2020), which began directly supervising Croatian credit institutions. Consequently, these institutions became subject to the same supervisory standards and procedures as their counterparts within the Eurozone.

Similarly, the 2025 Convergence Report (European Commission, 2025) on Bulgaria indicated that the Bulgarian financial sector exhibited resilience since 2009 financial crisis and was stable during pandemic and energy crises. Again, as the adoption of euro for Bulgaria was possible with close interconnection of the banking sector and ECB, accession of Bulgaria to the Banking Union in 2020 and direct supervision by the ECB of commercial banks that hold approximatively three quarters of all assets in the banking sector. Thus, in 2026 Bulgaria became the last up to date country that adopted Euro.

In contrast, despite its earlier accession to the EU, Romania has yet to implement the euro—unlike Croatia. As noted by Iancu (2017), Romania briefly fulfilled all five nominal convergence criteria in 2015, However, while Romania exited the Excessive Deficit Procedure in 2013 and the Macroeconomic Imbalance Procedure in 2016, challenges remain. According to Iancu (2017), authors of the Maastricht Treaty established criteria for Member States with a derogation without providing sufficient mechanisms to resolve structural asymmetries, particularly in less-performing economies. Transitioning from a national currency to the euro involves complex mechanisms that can be difficult for asymmetric economies to manage. Furthermore, aggressive attempts to meet these criteria—especially the strict ERM II exchange rate bands—can occasionally trigger economic divergence or exposure to external shocks. It is also important to remember that joining the Eurozone is not a unilateral decision, it is a multi-stage process requiring rigorous analysis, reports, and a final favorable vote from existing Eurozone members.

Regarding the Republic of Moldova, there is currently no official target date for the transition to the euro.

Methodology

As a methodology and benchmarks for measuring economic convergence of the Republic of Moldova was taken according to four legally binding economic conditions that EU Member States must meet to adopt the euro, as outlined in the Treaty on the Functioning of the European Union.

Price stability

Article 1 of Protocol (No. 13) on the convergence criteria stipulates that the criterion on price stability requires a Member State to demonstrate a sustainable price performance. Specifically, the average rate of inflation, observed over a period of one year prior to examination, must not exceed the inflation rates of the three best-performing Member States by more than **1.5 percentage points** (European Union, 2008).

In this study, the inflation rate was calculated based on the change in the 12-month average of the price index for the reference period of January to December 2025, compared to the preceding 12-month average. While the ECB utilizes the Harmonized Index of Consumer Prices to ensure cross-country comparability, such a metric is currently unavailable for the Republic of Moldova. Consequently, it was used for comparison the national Consumer Price Index as a representative proxy. Furthermore, the reference value is determined by taking the unweighted arithmetic average of the inflation rates of the three best-performing Member States (excluding outliers). Also, it is important to exclude outliers, as the methodology stipulates that a Member State is identified as an outlier if its inflation rate is significantly below the Eurozone average and its price developments are driven by exceptional, non-structural factors (European Commission, 2025).

Sound and sustainable public finances

The second pillar of nominal convergence, as stipulated in Article 140(1) of the Treaty, concerns the sustainability of the government's financial position. A Member State is deemed compliant if it maintains a budgetary position free of an "excessive deficit," a status determined through the Excessive Deficit Procedure under Article 126 (European Union, 2012).

The evaluation of fiscal discipline focuses on two benchmarks:

1. Budget deficit criteria: the ratio of the annual general government deficit to GDP must not exceed 3%. Exceptions are granted only if the ratio is significantly and steadily declining toward the threshold or if the breach is considered to be temporary and exceptional.
2. Debt criteria: gross government debt-to-GDP ratio must remain below 60%. If a country exceeds this limit it must demonstrate that the debt ratio is decreasing and converging toward the 60% benchmark.

Exchange rate

The third pillar of nominal convergence, as defined in Article 140(1) of the TFEU and further detailed in Protocol (No. 13), assesses a Member State's ability to maintain a stable currency without distorting the internal market. It means that practice the ECB evaluates the country participation in ERM II and compliance requires a two-year period of participation during which the national currency remains within +-15% bands against the euro (European Union, 2008).

For countries under a "derogation" that have not yet entered ERM II, such as the Republic of Moldova, the assessment methodology shifts. Thus, the work focuses on the degree of exchange rate volatility and the overall performance of the national currency against the euro. This provides a proxy assessment of the exchange rate stability of Moldovan Leu.

Long term rates

The fourth and final pillar of nominal convergence, as specified in Article 140(1) of the Treaty and further detailed in Protocol (No. 13), assesses the durability of convergence through the lens of long-term interest rates. The treaty stipulates that over a period of one year before the examination, a Member State has had an average nominal long-term interest rate that does not exceed by more than 2 percentage points that of the three best performing Member States in terms of price stability (European Union, 2008).

Thus, for the purposes of this study, the average nominal long-term interest rate is calculated as the arithmetic average over a 12-month reference period. In alignment with the price stability evaluation, the reference period considered in this analysis spans from January to December 2025.

Methodologically, interest rates are measured based on yields of long-term government bonds (typically with a 10-year maturity) or comparable securities on the secondary market. These yields are ideally "harmonized" to ensure cross-border comparability. Bur, for the Republic of Moldova, where the secondary market for 10-year government bonds may lack the liquidity found in Eurozone counterparts, this analysis utilizes the most comparable available long-term sovereign yields as a proxy for the convergence assessment (7 and 10 year bonds).

The required criteria can be summarized in the following table:

Table 1. The four convergence criteria

What is measured:	Price stability	Sound and sustainable public finances	Durability of convergence	Exchange rate stability
How it is measured:	Harmonised consumer price inflation	Government deficit and debt	Long-term interest rate	Exchange rate developments in ERM II
Convergence criteria:	A price performance that is sustainable and average inflation not more than 1.5 percentage points above the rate of the	Not under excessive deficit procedure at the time of examination	Not more than 2 percentage points above the rate of the three best performing Member States in	Participation in ERM II for at least 2 years without severe tensions, in particular without

	three best performing Member States		terms of price stability	devaluing against the euro

Source: European Commission

Results and discussion

As for situation of January – December 2025, on the basis of last 12 months HICP, the three best performing European States in terms of price stability were Cyprus (0.8%), France (0.9%) and Italy (1.6%). Adding 1.5 percentage points to the average of these three rates, the reference value for the price stability criterion of 2.6% was obtained. Although Switzerland had an inflation of 0.1% it was excluded from calculation as considered an outlier, considering average EU-27 inflation based on HICP for 2025 was 2.5%. As for the Republic of Moldova, for the same period of time, as a metric was chosen average 12 months average CPI of 7.8% (due to non-existence of a harmonised index). The 2025 value is slightly above 2024. The increase in inflation was determined by the increase in gas, thermal energy and electricity tariffs. Thus, inflation gap between the Republic of Moldova and the benchmark with buffer is 4.2%, higher above the required limit. This rate is expected to decline gradually in 2026-2027, but is expected to situate among 5%, as it is the target inflation rate of the NBM. The catching-up process is also likely to result in positive inflation differentials vis-à-vis the euro area over the longer term, since GDP per capita and price levels are still significantly lower in Republic of Moldova than in the euro area.

From a legal standpoint, the Republic of Moldova is not currently subject to a Council Decision regarding the existence of an excessive deficit, as the Excessive Deficit Procedure applies strictly to EU Member States. However, the general government deficit currently exceeds the 3% reference value. Projections from the Ministry of Finance, indicate that the deficit is expected to persist at approximately 5% of GDP over the next three years. Nevertheless, the general government debt in GDP is maintain below the level of 60%. Even though its expected to increase up to 46% in the next 3 years (State Debt Management Program, 2026–2028), this level is still below the reference value and contrasts the high budget deficit.

While the Republic of Moldova does not currently participate in the ERM II, making the formal two-year stability requirement technically inapplicable. Although, the progress for matching currency exchange rate and removing deviation from euro is notable. Thus, at the beginning of 2025 the NBM officially designated the euro as the monetary anchor for the Leu’s exchange rate, superseding the US dollar (NBM, 2025) and reflecting the Republic of Moldova's economic shift towards the European Union market, which plays a significant role in the country's trade and financial structure. As evaluation of last 3 years exchange rate reveals, appreciation/depreciation of the Moldovan Leu against the Euro was between +-2%, which can be considered as stable.

Long-term interest rate is another dilemma of estimation in order to align with Maastricht criteria. The primary obstacle is that Moldova’s capital market remains in an embryonic stage, thus, fixed income market lacks a diverse range of instruments necessary to derive a long-term rate. Most of the bonds are issued by the government and up to 5 years. Nevertheless, by utilizing a limited sample of existing government bond issuances with maturities of 7 and 10 years, a long-term interest rate indicator was constructed for comparison against the reference value. Thus, at the end of 2025 the annual long-term interest rate constituted 8.2%.

The reference value was derived from the 12-month average of harmonized long-term interest rates (based on 10-year benchmark bonds) for Italy, France, and Cyprus. By adding the mandated two-percentage-point margin to the 3.3% average yield of these three nations, a reference threshold of 5.3% was established.

Table 2. Maastricht criteria and RM performance

	Price stability	Government budgetary developments and projections			Exchange rate		
	HICP inflation[1], %	Country in excessive deficit[2]	General government surplus (+) / deficit (-)[3], %	General government debt[3], %	Currency participating in ERM II	Exchange rate vis-à-vis the euro[4], %	Long-term interest rate[5], %
2023	13.4	No	-5.1	34.3	No	+1.3	8.1
2024	4.7	No	-3.9	37.5	No	+2.0	6.7
2025	7.8	No	-4.1	37.6	No	-1.8	8.2
Reference value[6]	2.6		-3.0	60.0			5.3

Sources: European Commission (Eurostat, Directorate-General for Economic and Financial Affairs) and Statistica.md
Notes:
1) Average annual percentage change. Data for 2025 refer to the period from January 2025 to December 2025.
2) Refers to whether a country was subject to an EU Council decision on the existence of an excessive deficit for at least part of the year. Not apliable to RM as its not an EU member yet.
3) As a percentage of GDP. Data for 2025-27 are taken from the State Debt Management Program, Ministry of Finance.
4) Annual percentage change. A positive (negative) number denotes appreciation (depreciation) vis-à-vis the euro.
5) Average annual interest rate. Reference value was calculated as a simple average of harmonised long-term interests of Cyprus, Italy and France. Value for RM was calculated as an average of 7 and 10 years government bonds issues.
6) The reference values for HICP inflation and long-term interest rates refer to the period from January 2025 to December 2025; for the general government balance and debt, the reference values are defined in Article 126(2) of the Treaty on the Functioning of the European Union and the related Protocol (No 12) on the excessive deficit procedure.

As a summary of table 2, for the end of 2025 we have higher than required inflation rate, that could be explained by both pressure from high energy prices and catching-up effect of the Republic of Moldova as an emerging country. Still, considering the current target inflation rate of NBM of 5%, it is a divergence between objectives of NBM for price stability and criteria dictate by Maastricht. At the same time, RM faces big budget deficit last years and is expected to continue this trend. Nevertheless, low government debt in GDP contrasts in a positive way, but still is also expected to continue increasing in future. Also, despite low currency deviation of exchange rate for Moldavian leu against Euro, participation in ERM II is expected to be implemented and last for a term of at least 2 years in order to meet the requirements. It is supposed to postpone euro implementation for another years. Finally, as expected by higher ICP, the long-term rates are also higher than reference value.

Conclusions

The study analyzed the economic performance of the Republic of Moldova in the context of the requirements set by the Maastricht Treaty. As the experience of regional countries that have adopted the euro demonstrates, the monetary integration of the Republic of Moldova is expected to occur only after its accession to the EU. This process will require several years of institutional and economic convergence to mitigate the structural differences between the economies of EU member states and that of the Republic of Moldova.

Specifically, the Republic of Moldova's macroeconomic alignment with the Maastricht criteria as of 2025 presents a mixed picture. While the country demonstrates positive performance by maintaining a compliant general government debt-to-GDP ratio and a stable exchange rate against the Euro, significant gaps persist. First, Moldova's inflation rate remains above the European reference value. This challenge is further compounded by the inherent divergence between the NBM's 5% inflation target and the stricter Maastricht threshold. Second, continuous budget deficits exceeding the 3% limit and elevated long-term interest rates underscore ongoing fiscal and financial challenges. Third, despite a relatively stable currency exchange rate, closing these macroeconomic disparities requires formal participation in ERM II for at least two years. Thus, all these factors dictate that the Republic of Moldova's full integration into the Eurozone will inevitably be postponed for the foreseeable future.

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