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Information Asymmetry in the European Funds Market: Impact on Resource Allocation and Sustainable Development

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Abstract: The European Funds market is a key mechanism for fostering regional development and economic growth within the European Union, yet its efficiency can be undermined by information asymmetry, which complicates fund absorption processes. This paper investigates the European Funds market and explores how adverse selection and moral hazard impact the dynamics of the fund allocation. Through qualitative research, the authors assess the European Funds market, identify its key stakeholders, and explore factors influencing funds absorption. Findings reveal complex interactions among European Union institutions, managing authorities, beneficiaries, and consultants. The research highlights economic, administrative, institutional, and social factors that affect fund absorption rates and pinpoint adverse selection and moral hazard as primary consequences of information asymmetry in the European Funds market. By emphasizing the importance of effective communication processes and describing the experiences of various actors in European-funded projects, the study provides actionable insights for policymakers and stakeholders. This paper offers a new perspective on the European Funds market and links information asymmetry to inefficiencies in fund allocation. These findings contribute to a better understanding of the European Funds market, fostering transparency, enhancing institutional capacities, and promoting sustainability in the governance of public funds.

Keywords: European Funds market; information asymmetry; communication processes; sustainability

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1. Introduction

Sustainability is at the core of all European policies, aiming to integrate the economic, social, and environmental dimensions of sustainability. This approach seeks to ensure a competitive economy, promote innovative entrepreneurship, preserve welfare, and meet ambitious climate change commitments. Central to these efforts is the goal of fostering a protective, competitive, and fair Europe, while sustaining it for future generations [1]. European Funds are directly linked to the goal of making Europe's development sustainable by financing projects and initiatives that promote environmental protection, economic stability, and social inclusiveness. Through these funds, the European Union (EU) supports a broad range of efforts that address climate change, energy efficiency, sustainable growth, and reduced regional inequalities, all critical to achieving sustainable development in Europe. The European Funds market contributes to promoting cohesion and development among member states (MS), addressing regional disparities, providing support infrastructure projects, and enhancing social and economic development [2] all across Europe. Data from Eurostat and other economic analyses indicate that between 2000 and 2018, Gross Domestic Product (GDP) per capita had nearly doubled for the EU as a whole [3]. The GDP increase had been more than tenfold for some of the poorest MS, particularly those in Eastern and Southern Europe, which experienced substantial economic growth since joining the EU. For instance, countries like Poland, Romania, and Bulgaria have benefited significantly from European Structural and Investment Funds (ESI Funds), which have facilitated investments in infrastructure, education, and technology. However, the process of obtaining and managing these funds is complex; therefore, ESI Funds absorption by EU MS becomes a central issue in the implementation of EU cohesion policy [4], especially since many MS faced challenges in attracting these funds from the EU budget [5].

A country's ability to effectively implement and benefit from EU-funded projects is assessed by the absorption rate, a critical indicator that refers to the proportion of allocated European Funds that are actually utilized within a specific time frame, or in other words, the capacity of a specific country, region, or program to spend the funds received from the EU [6]. Over the last three multiannual financial frameworks (2000–2006, 2007–2013, 2014–2020), two worrying trends have been manifesting: one concerns the pace of funds implementation, which was slower in each new period, as compared with the one before, and the second one relates to the expenditure delays that tend to build up over the course of programming periods. Previous analyses indicate that MS are already facing delays in the expenditure of ESI Funds [6]. The ex-post evaluation of the European Regional Development Fund (ERDF) for the 2007–2013 programming period shows that "the payment rate, and consequently the implementation rate of programs, was slower than in the 2000–2006 period, which itself was slower than in the preceding 1994–1999 period". Moreover, the absorption rate of Cohesion Policy programs in 2021–2027 was lower at the end of 2023 than the absorption rate of the previous two programming periods (2007–2013, 2014–2020), after three years of implementation. These data indicate that over time and across various programming periods, the absorption rates have declined. Most of the EU MS had at the end of 2020 lower absorption rates as compared to the end of 2013, especially Austria, Belgium, Germany, and Spain, who had significant decreases. Exceptions were registered in Czechia, Hungary, and Romania, countries in which the absorption rates were higher in 2014–2020 as compared to 2007–2013. In this context, understanding what the factors are that lie behind low absorption rates of ESI Funds is important, as they pose significant policy implications such as relevance of the Cohesion Policy itself, as well as the fund's ability to achieve their original objectives.

Literature on the absorption capacity of EU funds primarily addresses four main topics. These include (1) the analysis of convergence and cohesion policy [7,8]; (2) the effects of structural funds on economic growth [2,9–13]; (3), the impact of European Funds on the labor market [8]; and an analysis of the absorption of European Funds from the perspective of various influencing factors, such as the economic and social characteristics of beneficiary regions, and the institutional and administrative capacity of local and central authorities—including communication with beneficiaries, labor force characteristics, decentralization, investments, the institutional framework, and infrastructure development [4–6,14,15].

In the context of European Funds, information asymmetries can affect the transparency and efficiency of fund allocation and utilization. Such asymmetries may lead to resource misallocation, corruption, and inefficiencies, thereby hindering the stakeholders' ability to make informed decisions and compromising the overall effectiveness of European Funds. This article lines up the scholarly research on the factors contributing to the low absorption rates of ESI Funds, by exploring both theoretical perspectives and empirical data on the roles and contributions of the main stakeholders in the European funding process, focusing on how each participant influences the efficient use of ESI Funds. By applying the theory of asymmetric information, as introduced by Akerlof (1970), which explains how imbalances in information between parties can lead to suboptimal decision making [16], this study aims to shed light on the factors behind the low absorption rate of European Funds. Furthermore, it delves into the interactions between these players, the challenges they face, and the systemic issues that arise from information imbalances, which ultimately hinder the optimal allocation and utilization of available resources, which are of critical importance for achieving sustainability across the European Union.

Starting from the assumption that disparity in information in the context of EU funds can significantly influence the rate of absorption, the success of funded projects, and the overall economic impact of these resources, this paper adopts a qualitative research design to examine the impact of information asymmetry on the European Funds market, with a particular focus on the dynamics of fund absorption and governance sustainability. The research was designed in a mixed way: focus groups conducted with key stakeholders—including beneficiaries and consultants—combined with an analysis of case studies and real-world examples. In this way, the research aims to provide a comprehensive understanding of the EU funds market. The research design was designed as mentioned, in order to answer the research questions from which the study is based.

The first research question investigates whether the market for European Funds is characterized by information asymmetry. To provide a comprehensive answer, the study analyzes the market structure by identifying the key players, such as beneficiaries, intermediaries, and public authorities. It also explores the factors affecting the absorption of European Funds through literature review and secondary data analysis. The second research question focuses on how information asymmetry impacts the absorption rate of EU funds. This is accomplished by assessing communication processes among stakeholders and their role in fund management. This study also examines the experiences of various actors involved at different stages of EU-funded projects to highlight how information imbalances affect decision making and project outcomes. Lastly, potential strategies for better managing information asymmetry, particularly in the relationship between beneficiaries and the authorities responsible for fund allocation and oversight, are identified and discussed.

2. Literature Review

2.1. The "Market" for European Funds

The "market for European Funds" was approached by Zaman and Georgescu (2009), who identified two main actors in this market: the demand side (beneficiaries) and the supply side (the institutional system). Additionally, Serban outlines three key categories of stakeholders involved in the absorption process: beneficiaries, consultants, and authorities [17].

Beneficiaries include organizations, institutions, or individuals that receive funding from European programs and initiatives. This group may consist of research institutions, universities, non-governmental organizations (NGOs), government authorities, and businesses. The primary concern of beneficiaries is to attract ESI Funds in order to finance their specific expenses.

Consultants are specialists who prepare project documentation, such as experts in accessing European Funds, as well as those involved in the project's implementation—such as architects for technical projects, constructors for feasibility studies, public procurement specialists for tender plans, and financial analysts for cost–benefit analysis or financial projections. In general, consultants primarily focus on their own profit, while their secondary priority is securing funds for their clients, the beneficiaries of European Funds. As more of their clients successfully obtain project funding, their reputation strengthens, leading to greater demand for their services. But not all consultants are well trained or qualified. The reliance on external consultants in the context of European funding frameworks can influence communication effectiveness, understanding of funding processes, and access to unconventional research. These themes highlight the complexities and challenges faced by beneficiaries in navigating funding opportunities.

Although external consultants can facilitate clearer communication between beneficiaries and funding bodies, potentially improving the understanding of funding requirements and processes [18], reliance on consultants may also lead to misunderstandings if the consultants do not fully grasp the nuances of the funding frameworks [19]. In certain circumstances, the complexity and opacity of EU funding processes can hinder the beneficiaries' ability to effectively engage with available resources, making external guidance essential [18]. Consultants may provide valuable insights into the intricacies of funding applications, but their effectiveness can vary based on their familiarity with specific funding programs [19]. The predominance of standardized grant funding can limit opportunities for unconventional research, which may not align with typical funding criteria [19]. Innovative funding schemes, such as those from the European Research Council, aim to support unconventional projects, but beneficiaries may still struggle to navigate these options without adequate guidance [19]. In summary, the reliance on external consultants significantly impacts the communication and understanding of European funding frameworks among beneficiaries. While consultants can enhance clarity and provide essential insights into complex funding processes, their effectiveness is contingent upon their understanding of the specific funding landscape and the inherent challenges posed by standardized funding mechanisms.

Authorities are public institutions responsible for managing and implementing European funding programs at the national or regional level. They are involved in project selection, fund management, and progress monitoring. Authorities managing European Funds primarily focus on distributing the funds in accordance with the law and ensuring that beneficiaries meet their obligations [20].

These distinctions are important for understanding how the market for European Funds functions. For example, the demand side must be prepared and capable of utilizing the funds in a way that generates positive results, while the supply side must be as transparent as possible in the allocation process.

2.2. Factors That Determine the Absorption of European Funds

It is important to understand the factors that determine the absorption of European funds because it addresses the key mechanisms that influence how effectively EU resources are utilized by member states. Funding is absorbed when the European Commission transfers EU funds to a member state's operational program as co-financing for eligible projects, including advance, interim, and final payments [21].

Both supply-side and demand-side factors significantly impact the absorption capacity of EU funds. According to Kopeva et al [22], the demand-side absorption capacity refers to project applicants' ability to develop eligible projects, which depends on administrative capacity to prepare, implement, and manage projects effectively, and financial capacity for co-financing. Supply-side absorption capacity depends on the institutional framework for managing EU funds and is assessed through three components: macroeconomic capacity, which relates to the EU funding relative to GDP (capped at 4%); financial capacity, the ability to co-finance and manage national contributions; and administrative capacity, which involves the ability to design, implement, and manage projects efficiently, supported by clear structures, skilled personnel, and effective systems [14,22–26].

Additionally, Kersan-Škabić and Tijanić [4], who analyzed the absorption of European Funds in NUTS 2 regions of the EU (Nomenclature of Units for Territorial Statistics) from 2000 to 2013, demonstrated that labor force characteristics (such as education level and unemployment rates), decentralization, investments, the institutional framework, and infrastructure development can be considered as essential factors influencing the absorption capacity. These conclusions were validated by Ciffolilli et al. (2024), who also identified among the main factors influencing the attraction of European Funds: delays in adopting the EU legislative framework and guidelines, along with their frequent changes; poor quality of governance and political instability; low GDP per capita and limited co-financing funds; insufficient infrastructure and innovation development, low investments and vulnerability to external crises; and inefficient institutional structures, training gaps, and low engagement of the public administration workforce [6].

Bouvet and Dall'Erba [27] found that the allocation of ESI Funds is influenced also by the political situation within countries and regions, as well as the relationships between different governance layers, while Staehr and Urke's [28] analysis of funding from the Cohesion Fund indicates a significant effect on public investment, particularly in less developed EU member states, suggesting that political negotiations play a crucial role in fund distribution.

2.3. Communication Processes in Managing European Funds

Communication and information are key priorities for the European Commission and EU member states in managing structural and investment funds [20]. The regulatory framework for communication at the European level has evolved from basic information requirements to detailed obligations for implementing bodies and beneficiaries [15]. Ideally, the optimal context in which the process of attracting European Funds should take place starts from trust and a certain sense of responsibility. There is a close connection between trust and communication [29], and studies show a unique interdependence among communication, loyalty (commitment), and trust, especially in the public social domain [30].

Interestingly, some of the researchers emphasize that communication with beneficiaries plays an important role in attracting and effectively utilizing European Funds, thus improving the absorption rate of ESI Funds [6]. Although the regulation of information and communication at the European level has crystallized, with clearer targets and responsibilities for the parties involved (European Commission, member states, management authorities, beneficiaries), however, it does not govern the relationship between them, leaving the way in which the parties interact to the national legislation, which sets the regulatory framework for governmental communication. This is natural, taking into account the particularities of each MS, as well as the fact that at national level communication represents an important component and, to the same extent, an important responsibility for carrying out tasks in the activity of public institutions. Furthermore, it considers the citizens' right to free access to public information, with the specificities of each country. Many times, however, the image of public institutions is not a favorable one, because the perception of the general public is predominantly negative, fueled by certain preconceptions according to which officials are driven by their own interests and seek benefits at the expense of others [31]. The role of trust on the one hand and the assumption of responsibility on the other hand become absolute necessities overall, particularly for managing authorities handling European Funds, whose officials must be accountable to all parties involved in such funding (beneficiaries, consultants, etc.).

2.4. Information Asymmetry Theory

In a perfect market, information is symmetrical, meaning that all market participants have access to the same relevant information. This condition allows prices to accurately reflect the true value of goods and services, facilitating the efficient allocation of resources [16,32]. Conversely, in an imperfect market, information is asymmetrical, meaning that some participants have more information than others, which negatively affects the efficient functioning of the market. While Akerlof [16], Rothschild and Stiglitz [33], and Stiglitz [34] emphasize the crucial role of asymmetric information in financial markets, Crawford et al. [35] argue that informational asymmetry can lead to multiple market failures, especially during recessions [36], thereby contributing to the occurrence of financial crises. Therefore, a deep understanding of informational asymmetry becomes essential for developing regulatory frameworks capable of mitigating the associated negative effects.

The theory of asymmetric information, introduced by Akerlof [16] and further developed by Barbaroux [37], shows that within an economic exchange, one party may possess more information about a good or service than the other party. In such situations, information is asymmetrically distributed. When the better-informed party uses the asymmetric information advantage to exploit the less-informed party before the exchange or agreement takes place, adverse selection occurs [38]. Moral hazard arises when, after an agreement between two parties with asymmetric information has been concluded, the behavior of one party changes [37]. This informational imbalance can lead to suboptimal decisions and inefficient market behaviors. Informational asymmetry is often used in management, corporate social responsibility, the labor market, organizational behavior [39–41], and has underpinned several theories: signaling theory [42], agency theory [43], and institutional theory [44,45]. Signaling is a valuable tool in the context of asymmetric information, contributing to reducing uncertainty and improving the functioning of economic activities. By issuing and correctly interpreting signals, market participants can make more informed decisions and build trust relationships. However, for signaling to be effective, participants need to be well-informed, and markets must be properly regulated to prevent misinterpretations and signal manipulation. Cognitive dissonance situations can also occur, referring to the psychological discomfort or tension that arises from holding conflicting beliefs, attitudes, or behaviors [46], when individuals are confronted with information that conflicts with their existing beliefs or values, or when they engage in behaviors that contradict their beliefs or self-image. This state of discomfort motivates people to reduce the inconsistency and achieve a more consistent mental state.

The implications of information asymmetry in the fund industry have been extensively studied [47–50]. Quantitative research has explored how information asymmetry impacts are realized and expected investments return, as well as their relation to market timing [49]. Other studies have examined its effect on mutual fund trades in foreign assets [47] and its influence on asset pricing [48]. Additionally, some research investigates how information asymmetry affects the distribution between actively and passively managed mutual funds [50]. Moreover, Odenman and Motsanos (2021) explored how information asymmetry in sustainability communication affects mutual funds, and their thesis examines its impact on investment decisions and sustainable development [51]. Specifically related to European Funds, Vilaplana-Aparicio et al. [52] observed that many EU member states' portals for Next Generation funds suffer from incomplete and asymmetric information, which affects the ability of stakeholders to access necessary data. Their study highlights that the quality of information dissemination varies significantly among countries, impacting the overall effectiveness of fund utilization.

The European Funds market, like any other market, is an imperfect market characterized by information asymmetry. The novelty of this research lies in analyzing the absorption rate of European Funds through the lens of informational asymmetry. While some studies have suggested that enhancing communication between authorities and beneficiaries could be an effective strategy for increasing the absorption of European Funds, these two topics have not been thoroughly examined together. This investigation is particularly relevant given that sustainability is a core objective of the European Union and serves as a benchmark for maintaining its international credibility. The EU has solid Treaty foundations and extensive experience in advancing policy agendas that simultaneously address economic, social, and environmental objectives. It has also played an important role in shaping the United Nations' Sustainable Development Goals (SDGs) in 2015. The EU and its MS are, therefore, key actors in formulating policy responses to complex challenges not only at the national and European levels but also on a global scale. By addressing the factors influencing the absorption of European Funds, this research aims to contribute to more effective fund allocation and utilization, thereby enhancing the EU's and MS's capacity to achieve their sustainability goals and reinforcing UE's role as a leader in global development initiatives.

3. Materials and Methods

This paper aims to conduct an analysis of the funding process through ESI funds by using exploratory research, based on the theory of asymmetric information, to explain certain behaviors of the parties involved in attracting and utilizing European funds. The research methodology was designed to address two research questions, based on which, five research objectives have been established to provide a comprehensive and nuanced understanding of the factors influencing the absorption of European Funds (Table 1). These objectives are designed to yield actionable insights and practical recommendations that can enhance the effective utilization of these resources.

Table 1. Research questions, objectives, and expected outcomes.

Research Questions	Objective	Expected Outcomes	Method
Q1. To what extent is the European Funds market characterized by information asymmetry?	O1.Description of the European Funds market	Overview of the key players in the European Funds market, including their roles, interactions, and influence on fund allocation and utilization. Identification of the dynamics of the market and the relationships among various stakeholders, such as beneficiaries, authorities, and consultants.	Desk research—literature review
	O2. Identification of factors that determine the absorption of European Funds	Analysis of various factors influencing the absorption of European Funds.	Desk research—literature review and secondary data analysis
	O3.Identification of the principles of information asymmetry theory in the context of the absorption of European Funds	Framework that outlines the principles of information asymmetry as they apply to the context of European Funds absorption.	Desk research—data analysis and case study analysis
Q2.Does information asymmetry determine the absorption rate of European Funds?	O4. Evaluation of the communication process and its role in fund management	Insights into the effectiveness of communication strategies between authorities and beneficiaries, as well as how these strategies influence fund management.	Qualitative research
	O5.Description of the experiences of the actors involved in the various stages of projects financed by European Funds	Experiences of different stakeholders throughout the funding process, including challenges faced and lessons learned.	Qualitative research

Source: Authors' own elaboration.

As outlined in Table 1, the researchers used a series of scientific research methods. This mixed design of the research was considered suitable for achieving the purpose and objectives of the research. Each part of the research had its own contribution in obtaining the results that led to the research conclusion:

1. Desk research—a succession of secondary data used for achieving the following purposes:
    (a) Creating the theoretical framework for asymmetric markets—in this sense, the main aspects defining the informational asymmetry were identified;
    (b) Analyzing data and case studies to identify and assess the process of the European Funds absorption in order to highlight the main factors that influence this process—compiled data, survey-based secondary data, and multiple-sourced secondary data

2. Qualitative research that consisted in obtaining primary data through a succession of two focus groups with the purpose of determining the way that the involved stakeholders perceive the process of communication between the beneficiaries of European Funds and the authorities involved in management funds at European and national level, and to identify the way that the informational asymmetry has a role in the absorption rate.

The literature review was based on consulting the academic literature, European studies, and specialized websites. To create the theoretical framework, a series of scientific databases were consulted (ScienceDirect, Web of Science); the searching process was based mainly on the following keywords: "European Funds market", "beneficiaries and authorities", "absorption rate", "asymmetric information", "communication process", "information needs", "obstacles in communication", and "absorption rate influencing factors". The secondary data analysis was considered with the objective of settle the context of the European Funds market. This type of analysis can be used to advance knowledge across many disciplines, by using results from studies, whether quantitative or qualitative research. Using this method in the study permitted a cost-effective, accessible, and efficient means of utilizing existing data to answer new research questions [53]. More than this, the research theme involves a large area of applicability—MS of the EU—so the secondary data can be considered as appropriate, as it would be difficult to access data from the considered countries [54].

The case study analysis was taken into consideration for describing particular situations, especially related to the European Funds absorption rate. According to Yin (1994), the case study analysis defines strategical research that involves empirical investigation related to a particular contemporary phenomenon, by using multiple sources of information; when the case study analysis reveals a series of cases, it is possible to obtain a more certain generalization for similar situations [55]. The importance of the case studies consisted in the fact that they contributed to a general perspective of the considered issue and, also, it created a framework for a correlation with the primary data.

The qualitative research provided important primary data from Romania, a country with specific problems in the European Funds absorption rate. The qualitative study was carried out based on direct communication techniques, in which data collection was carried out through group interviews. The researchers tried to identify the attitudes, motives, and behaviors of the beneficiaries of European Funds in relation to the studied phenomenon, namely, the existence of differences in communication carried out by the European and Romanian authorities. In the exploratory research, the representativeness of the analyzed sample in terms of size population is not mandatory, but it is necessary that the sample's structure reflects as much as possible the researched population's structure. The determination of the sample size is contextual and it depends in part on the scientific paradigm under which the investigation takes place [56].

Considering this, the sample was established as follows:

- Persons who have implemented projects financed from European Funds managed by Romanian authorities;
- Persons who have implemented projects financed from European Funds managed by European authorities (European Commission, agencies such as CINEA—European Climate, Infrastructure, and Environment Executive Agency, etc.);
- Persons who have implemented projects financed from European Funds managed both by Romanian authorities, as well as by European authorities.

In order to select the research participants, three selection criteria were applied:

- The legal form of the organization to which they belong (public or private entity);
- The experience in projects financed from European Funds;
- Participation in projects at the European level, with partners from several countries.

By choosing this sample, the researchers tried precisely to increase the validity, reliability, and credibility of the information obtained, combining data sources and methods.

In order to achieve the research objectives, a study based on the direct qualitative analysis of the semi-structured group interview research technique was conducted. The focus group participants were free to express their opinion without any restrictions, and they were able to disclose their own opinions and beliefs on a particular topic with which they are familiar [57]. The focus groups were organized in March 2023, and they were held online, through the videoconferencing system of the Transilvania University of Brașov—https://bbb.unitbv.ro/ (accessed on 14 March 2023 and 16 March 2023); they consisted of two meetings attended by seven participants each. Each group included people with experience in EU-funded projects in Romania, experience that was gained within a public or private entity. A special category of participants was represented by people involved in projects at the European level, with partners from several countries; this aspect gave consistency to the study as it mirrored different opinions and experiences regarding communication in financing through European Funds. The categories of participants included people who interacted only with the Romanian authorities and also people who interacted with both the Romanian authorities and the authorities at the European level. Thus, the differences in the beneficiary's perception were more consistent.

The respondents came from different fields of activity and, also, they had different roles in projects financed by European Funds:

- Entrepreneur of a beneficiary company;
- Employee of a beneficiary organization;
- Expert in accessing European Funds within an entity that offers writing, implementation, reporting, and monitoring services for projects with European funding.

Most of the participants (64%) were from private entities, while 22% came from other types of organizations, and 14% were employed in a public entity. The duration of the interviews was between 120 and 140 min. The group discussions were conducted on the basis of a semi-structured interview guide that allowed respondents to initiate spontaneous discussions. The discussions were moderated by a qualified person who did not influence the answers. The two focus groups were organized online, through a videoconferencing system so as to provide a pleasant and comfortable environment for interviews and at the same time to allow the participation of people from other cities from Romania or other countries [58].

4. Results

This section presents the findings of the study, organized according to the specific objectives outlined in the methodology. Each result is discussed in relation to the corresponding research objective, providing an in-depth analysis of the data collected. By addressing each objective in turn, the analysis explores the European Funds market, including the identification of market participants, and offers a comprehensive overview of the factors influencing the absorption of European Funds, the role of information asymmetry, and the effectiveness of communication processes. The analysis also highlights the dynamics between beneficiaries, authorities, and consultants, and evaluates the administrative, institutional, economic, and social factors that impact fund absorption.

4.1. Description of the European Funds Market (O1)

The concept of a "market" for European Funds refers to the structured framework through which ESI Funds are distributed, managed, and absorbed by member states and their institutions. Although it does not fit the traditional definition of a market involving the buying and selling of goods or services, the European Funds market can be understood metaphorically as a market, since it entails interactions between various actors—beneficiaries, authorities, and consultants—and decisions related to the allocation of resources. Much like a conventional market, stakeholders operate in a competitive environment, vying for access to limited resources, with information asymmetry and administrative barriers influencing outcomes. Based on these characteristics, the authors argue that this system possesses the necessary elements to be considered a "market for European Funds". These elements are presented in Table 2.

Table 2. Elements of the market for European Funds.

Element	Description	
Key actors	Supply side	The European Union institutions and national authorities (acting as fund managers), which provide ESI funds. They set the rules, regulations, and guidelines for accessing these funds.
	Demand side	Beneficiaries such as local governments, businesses, NGOs, research institutions, and other public and private entities that apply for funding for their projects. They are "demanding" financial resources for projects aimed at achieving regional development goals.
"Goods" and "services" being traded	Financial resources, project funding, technical assistance, knowledge exchange, and infrastructure investments.	
Differentiated "goods"	The differentiation is based both on the types of funding for projects, such as structural and cohesion funds, research and innovation funds, agricultural and rural development funds, as well as on the specific nature of the projects financed within each funding axis.	
Intermediaries	Consultants or agencies that assist beneficiaries in navigating the complex application processes, increasing the chances of success. Their role is akin to intermediaries in a traditional market, helping "buyers" (fund applicants) obtain access to the product (funding).	
Competition	Just as in a traditional market, there is competition among potential beneficiaries for limited resources. Not all projects can be funded, so beneficiaries must compete to demonstrate that their projects align best with the strategic goals set out in EU policies.	
Price Mechanism (Metaphorical)	Instead of money being exchanged for goods, the "price" is the effort required to develop projects that meet EU standards and demonstrate their potential for positive impact.	
Rules and Regulations	Comprehensive framework designed to ensure fairness, transparency, and efficiency in the distribution and utilization of ESI Funds. The European Funds market is highly regulated by European Un-ion legislation and national regulations, with strict rules regarding the access, implementation, and monitoring of projects.	
Information asymmetry	Information asymmetry is manifested by significant differences in access to relevant information among different involved actors, which affects organizations' ability to access funds equally and efficiently.	

Source: Authors' own elaboration.

Based on the table above, this market can be described by the typical features of any market, including a large number of buyers, a sole supplier, differentiated products, intermediaries, competition, a price mechanism, regulations, and information asymmetry. However, the European Funds market does not fit neatly into classical market classifications such as perfect competition, monopolistic competition, oligopoly, or monopoly. Instead, it can be understood as a unique hybrid structure, with specific dynamics, influenced by a combination of regulatory frameworks, stakeholder interactions, and policy objectives. The primary "sellers" in the European Funds market are EU institutions, primarily the European Commission, which sets funding priorities and allocates resources to member states. In this sense, the market resembles a monopoly because there is a single entity that controls the supply of European Funds. The "buyers" in this market include a wide range of beneficiaries, such as national and regional governments, non-governmental organizations, private businesses, and educational institutions. These entities compete for funding, but their access to funds is heavily influenced by EU policies and guidelines rather than traditional market forces. The "goods" and "services" exchanged in the European Funds market mainly consist of funding opportunities through specific programs and financial resources supplied by the EU to support a range of projects and initiatives throughout member states. The financial resources available to beneficiaries are various, from grants—very popular given that they do not require repayment—to loans, typically offered at favorable interest rates and terms, and equity investments, where the EU takes an ownership stake in return for funding, or other forms of financing.

In addition to the EU institutions and beneficiaries, there are various "intermediaries" (consultants, NGOs, etc.) that facilitate access to funding. These stakeholders play a vital role in shaping the dynamics of the market, which is somewhat different from the classic buyer–seller relationships seen in conventional markets. "Competition" among beneficiaries is not based solely on price but on the alignment of project proposals with EU policy objectives, quality of project implementation, and administrative capacity. This creates a unique form of competition that does not fit the traditional model, as the focus is on meeting regulatory requirements and strategic goals rather than competing in a free market. The "price mechanism" is represented by the competitive application process and strict eligibility criteria, rather than being determined by the traditional supply and demand for money. The price in the European Funds market can be analyzed from the perspective of co-financing. Essentially, if an organization lacks the necessary resources to secure co-financing, it will not be able to access a specific funding program. Unlike a typical competitive market where prices are determined by supply and demand, the European Funds market is heavily regulated. The European Commission establishes "rules and regulations" for fund distribution, eligibility criteria, and compliance mechanisms. This centralized control is akin to a monopolistic structure, where one entity dictates the terms of engagement.

Overall, the European Funds market can be viewed as a regulated monopoly with elements of oligopoly and unique competitive dynamics. It is driven by policy goals rather than pure market forces, with significant implications for how funds are absorbed and utilized. Understanding this market's structure is determinant for addressing challenges related to fund allocation and improving the overall effectiveness of European funding mechanisms.

4.2. Identification of Factors That Determine the Absorption of European Funds (O2)

The absorption of European Funds is influenced by a wide array of factors, which can be broadly categorized into economic, administrative, institutional, and social dimensions (Figure 1). Each of these dimensions contributes to the challenges or facilitators involved in accessing and utilizing European Structural and Investment (ESI) Funds, particularly by member states, regions, and beneficiaries.

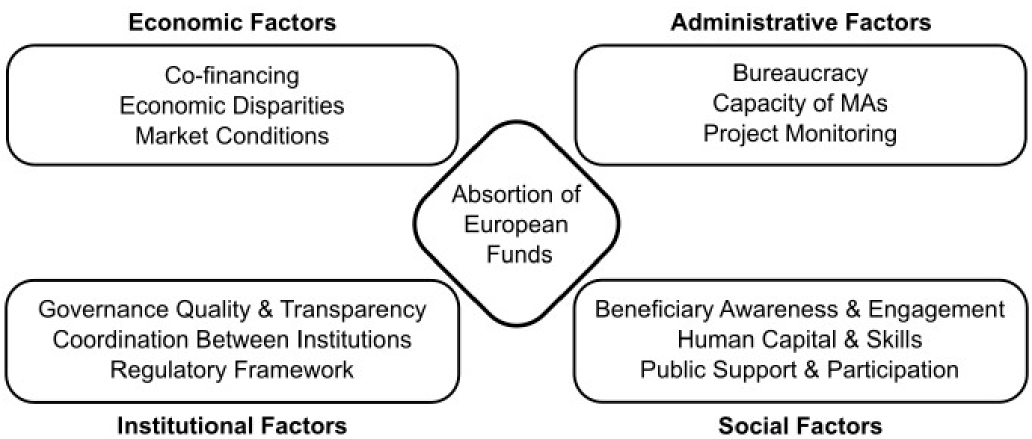

Figure 1. Factors that determine the absorption of European Funds. Source: Authors' own elaboration.

Economic factors determine how effectively European Funds are absorbed, as they influence both the demand for ESI funds and the ability of beneficiaries to co-finance projects. Many European-funded projects require beneficiaries, such as local governments, enterprises, or NGOs, to provide a certain level of co-financing. That is why access to financial markets is essential, as the ability to secure additional funding can support the co-financing of European projects. Organizations with a strong reputation and solid relationships with financial institutions are more likely to access necessary funds. The ability to raise these additional funds is often shaped by the economic conditions of the region or the financial strength of the beneficiary. In economically weaker regions, with inadequate economic infrastructure, such as transportation, communications, and utilities, fund absorption can be significantly hindered due to the lack of essential resources for projects. High unemployment rates also affect fund absorption; while regions with high unemployment may have a readily available workforce, they often face difficulties in securing resources for co-financing. Conversely, regions with a dynamic labor market are better positioned to attract investments and implement projects successfully. The EU includes regions with wide economic disparities, which indicates that less-developed areas (often targeted by cohesion policies) may struggle more with fund absorption due to insufficient infrastructure, lower human capital, and weaker institutional frameworks compared to more developed regions. The overall economic health of a region or country affects its ability to attract investment and carry out EU-funded projects. During economic downturns, such as the global financial crisis or the Coronavirus disease 2019 (COVID-19), both public and private sector entities face constraints in their financial capacity, limiting their ability to absorb available funds efficiently.

Administrative factors play a central role in the efficient and timely absorption of European Funds. These factors are often related to the administrative capacities and processes at both the national and regional levels. Experience from previous programming periods has shown that excessive bureaucracy or overly complex application procedures can slow down the process of fund absorption. Lengthy or unclear requirements, combined with rigid reporting systems, often lead to delays in processing applications or implementing projects. The capacity of managing authorities (MAs) in terms of competence, experience, and resources available to the authorities responsible for managing European Funds are of utmost importance. Strong administrative bodies with adequate staffing, technical expertise, and experience can facilitate faster project approvals, better monitoring, and effective use of funds. In contrast, under-resourced or inexperienced MAs can be a bottleneck, causing delays or inefficiencies in fund utilization. In this context, the stability and clarity of the legislative framework become fundamental for stimulating the interest of investors and beneficiaries in accessing funds. Effective collaboration among the agencies and authorities involved in managing European funds is also essential, serving to ensure a flow of necessary information and resources. Furthermore, the transparency and accountability of the institutions administering these funds are imperative, guaranteeing an open and fair allocation process that supports the efficient absorption of European funds.

The institutional dimension refers to the governance frameworks and organizational structures that oversee the distribution and utilization of European Funds. These factors can either facilitate or impede the absorption process. Good governance, characterized by transparency, accountability, and anti-corruption measures, is essential for effective fund absorption. In countries or regions with weaker governance systems, the risk of inefficiencies, mismanagement, or corruption increases, leading to delays and reduced absorption rates. Effective coordination between different institutional players, such as local authorities, national agencies, and the European Commission, is crucial for the smooth allocation and management of funds. Poor coordination, overlapping responsibilities, or conflicting priorities can create confusion, duplicate efforts, and slow down the implementation of projects. The legal and regulatory framework within a member state significantly influences the absorption of European Funds.

The social dimension addresses the human and community-related elements that affect fund absorption, such as education, awareness, and local engagement. Successful fund absorption depends on the beneficiary awareness and engagement, on the extent to which potential beneficiaries (e.g., local governments, NGOs, and businesses) are aware of available funding opportunities and the requirements for accessing them. Lack of information or misunderstanding of the application process can prevent eligible beneficiaries from participating in EU-funded programs. The availability of skilled professionals—both within the managing authorities and among beneficiaries—is crucial for the successful implementation of European-funded projects. In regions with lower levels of education or fewer skilled workers, it becomes more difficult to develop and implement complex projects, leading to lower absorption rates. The success of European Funds, particularly in areas such as regional development and cohesion policies, often depends on local engagement and community participation. Where there is strong public support for EU-funded projects and local buy-in, the chances of successful implementation and fund absorption increase. In contrast, regions with low public trust in institutions or EU initiatives may struggle to mobilize support for such projects. Hence, local culture and attitudes toward EU-funded projects also play a significant role in fund absorption. Regions that promote innovation and collaboration among various sectors (public, private, and NGOs) tend to have higher absorption rates, as they create a conducive environment for partnerships and joint initiatives. Furthermore, education and continuous training are critical factors; individuals with specific skills in project management and proposal writing are more capable of accessing and implementing European funds. Therefore, it is essential for beneficiaries to have access to training programs that enhance these skills. Involvement from local authorities is also vital, as they can facilitate communication between beneficiaries and the institutions responsible for managing the funds, thereby increasing transparency and reducing bureaucracy, which in turn improves the absorption process.

4.3. Identification of the Principles of Information Asymmetry Theory in the Context of the Absorption of European Funds (O3)

In European funding, information asymmetry occurs when the actors involved, such as managing authorities, beneficiaries, and other stakeholders, do not have access to the same level of relevant information, which can negatively impact the implementation and success of funded projects. Information asymmetry can be observed at several levels, including the following:

1. Information asymmetry between the managing authority and the beneficiary of European Funds—in this scenario, informational asymmetry can be understood in terms of a principal–agent relationship. The managing authority acts as the principal, while the fund beneficiary acts as the agent, similar to a bank approached by an economic agent seeking financing for an investment project. The beneficiary (agent) has more detailed knowledge about the project for which funding is being requested. Although the managing authority reviews the application, it may not have full visibility into all the associated risks, creating an information imbalance.
2. Information asymmetry between the beneficiary of European Funds and consultants—in this context, the relationship between the beneficiary of European Funds (acting as the principal) and the consultant (acting as the agent) resembles the relationship between an employer and employee or between a patient and their treating physician. In this case, the consultant holds more expertise and knowledge than the beneficiary regarding the specific skills, competencies, and experience needed for the preparation, implementation, and monitoring of projects funded by non-repayable grants. This knowledge gap places the beneficiary in a position of dependence on the consultant's guidance and advice.

The main consequences of information asymmetry in the European Funds market are adverse selection and moral hazard. Managing authorities generally possess less information about the entities applying for funding. This informational asymmetry can be exploited by speculative applicants who are attracted by the prospect of obtaining non-repayable funds under highly advantageous conditions. In the absence of a robust mechanism to select the best projects (such as well-defined eligibility criteria, a properly formulated evaluation grid, and competent evaluators), these speculative applicants can secure funding at the expense of those acting in good faith. Consequently, a speculative applicant may submit a seemingly compliant project that lacks significant added value in reality. If the managing authority lacks the necessary tools to distinguish between valuable and speculative projects, financial resources will be allocated inefficiently. Moreover, this phenomenon can erode trust in the funding process, discouraging genuine applicants who may prefer to finance their projects from their own sources or may choose not to implement them at all. This results in a missed opportunity that European Funds represent.

The relationship between applicants and consultants can also be affected by adverse selection. This happens, for instance, when costs associated with writing, implementing, and monitoring a project can be classified as eligible expenditures. If in the applicant's guide a fixed amount for these expenses is established, as was the case in Romania, with the implementation procedure for the Multiannual National Program for the Development of Entrepreneurial Culture among Women Managers in the Small and Medium-sized Enterprises (SME) Sector [59], where a budget of RON 10,000 could be requested. In this context, all consultants in the market, including the least competent ones, were encouraged to request a minimum of RON 10,000 for their services. This can lead to artificially inflated prices in the consultancy market and discourage applicants with valuable projects but limited financial capacity. In a market with high prices and varying competencies, adverse selection may force the applicant to choose between less competent yet expensive consultants or to forego accessing European Funds altogether. As a result, the market becomes less efficient, and worthy projects may not receive the necessary funding.

In European funding, moral hazard poses a significant challenge, because once funding is secured, only the applicant alone knows whether the project implementation fully adheres to the commitments made in the project proposal. A pertinent case was observed in Romania, during 2007–2013, when initiatives supported by the European Agricultural Fund for Rural Development, particularly Measure 313 "Encouragement of Tourist Activities" [60], faced issues with beneficiaries that have utilized funding to establish agrotourism guesthouses, only to repurpose the renovated spaces for personal residential use later on. This misuse highlights a moral hazard where the beneficiaries exploit the funding's intended purpose for personal gain, contrary to the project's initial objectives. Moreover, the establishment of these guesthouses as limited liability companies further complicated accountability, because limited liability shields the individuals behind these enterprises from personal financial liability beyond their initial investment in the company. This legal structure, while promoting entrepreneurship and investment, can inadvertently incentivize risk-taking behaviors that may not align with the broader public interest or the goals of European funding initiatives.

Signaling in European funding is observed in conditions of informational asymmetry, contributing to improved functioning of economic activities. Thus, the entity possessing an informational advantage makes decisions that serve as signals to market participants. For instance, consultants propose a fixed fee, along with a success fee for drafting a funding application, signaling to potential clients their confidence in their capabilities and their willingness to share the risk of possible application rejection. An example of a signal that an applicant can send to the management authority is their willingness to sign a fiduciary contract, indicating their readiness to provide personal guarantees. However, if the fiduciary contract becomes mandatory for obtaining funding (forced compliance), it can lead to cognitive dissonance for the applicant. They are then faced with deciding whether to accept personal guarantees for a project involving a certain degree of risk or to forego the funding. Consequently, some applicants may experience mental discomfort both when confronted with such a decision and after making it.

4.4. Evaluation of the Communication Process and Its Role in Fund Management (O4)

The respondent's perspective about the communication process revealed especially a better communication between the beneficiaries and the European authorities, compared to their communication with the national authorities. In this sense, speaking about the communication with the European authorities, the subjects appreciated that ”everything is easier and more flexible”, “there is less bureaucracy”, and “there are less deliverables”. More than this, they highlighted that “the European authorities have openness to discuss and resolve disputes”, ”the calls are better explained, many examples of good practice are given”, and “there are no contradictions between the authorities”.

Most of the respondents (10 of 14) report that communication with the Romanian authorities that manage European funds is poor—“difficult”, “hard”, “fragmented”, “unflexible”, and “it's just a bureaucratic exercise”. Just a few of the questioned beneficiaries highlighted that the experience was bad and good, at the same time. From the respondents' perspective, the main factors that determined poor communication with the national authorities are as follows: different interpretation of the law by the authorities and by the beneficiaries; different claims, despite the existence of a common auditing tool, for example; contradictions between different authorities (e.g., between the National Employment Agency of Work and its territorial structures); unclear information (e.g., different information from different sources, but also different information coming from sources within the same organization); competence of employees from authorities in the field of European financing; the beneficiaries' lack of experience in communicating with the authorities (“if you are not from the field it is very difficult to communicate with the authorities”); the interest that the implementing body has (e.g., “if they had the interest to obtain a quick response from the beneficiary then they were involved, they responded quickly. If but the beneficiary requested some information, things changed completely”); fear of assuming responsibility by officials from the authorities; and beneficiaries' concern for the implementation of the project.

Considering these aspects, it can be appreciated that the connection between communication ant the absorption rate involves a series of aspects—a sustained dialogue between the beneficiaries and the authorities, accurate information, clear and customized procedures, the need for consultants, permanent feedback, and clear financing guides. A particular aspect revealed by the research consisted in the fact that both people that obtained European financing as well as people that were just thinking about it recorded a fear of failure. Moreover, the importance of interinstitutional communication was highlighted—“interinstitutional communication deficient, namely the communication between the private and the public environment, which is maintained in parallel for more than 30 years”.

The research revealed a series of positive and also negative aspects of the communication process, as the respondents were asked to mention (see Table 3).

Table 3. Positive and negative aspects of the communication process.

Positive Aspects	Negative Aspects
Designated experts “There are some proactive experts, willing to help” “We have had situations where the representatives of the authorities have given very good solutions on the part of implementation” “We were pleasantly impressed by certain officers within the management authority, who have demonstrated flexibility in thinking, result orientation and focus on the support and aid given to the beneficiary. They provided solutions for our beneficiaries, to which we wouldn't have thought” “When I had someone to talk to, the experience was pleasant. Competence, flexibility in interpreting the instructions, the power of understanding mattered a lot”	The terminology, which can be differently interpreted “The language is specialized, the beneficiary does not understand what is being asked of him” “We were not able to find solutions together, because certain requirements were interpreted differently by the authorities and beneficiaries”

Table 3. *Cont.*

Positive Aspects	Negative Aspects
The existence of digital platforms “Much easier to use, a sign that the authorities have realized that they have a problem and have tried to take steps in this direction. New version of MySMIS is a positive example” (MySMIS—My System for Management of European Structural and Investment Funds 2014–2020)	The lack of specialized consultants “Communication cannot be achieved without the intermediation of the consultant” “It was frustrating for me as a beneficiary, because I can understand that the process is painstaking, but guidance is needed in implementation”
The authorities’ direct involvement “After the first visit to the beneficiary, things start to go much better. Steps can be tracked better implementation. Field visits could represent another, more concrete way of communication beneficiary authorities”	The quality and clarity of information “I was receiving contradictory information, unclear answers, it was necessary to we make additional trips for clarifications. Beneficiaries received different information and requests for the same call for projects, regarding the documents that had to be submitted, their number, etc.” “Officials from the same authority gave different answers to the same question”
Improvements	
Face-to-face meeting (between the beneficiaries and authorities) “Ideally it would be to there are 3–4 meetings not only before, but also during the implementation of the projects between the authorities and beneficiaries” “ I saw that in Romania trainings on YouTube are practiced, but face-to-face ones are much more effective”	
Human resources competences increasing “The quality, professionalism and years of experience of the human resources within authorities is essential” “Ideally it would be to identify that person within the framework the authority that is competent and able to answer the beneficiary’s questions. Usually there are such people, but they are few and generally did not respond until after a while”	
Responsibility assumption “Official communications can be much improved, when the answer has to be official no one wants to assume responsibility”	
Reasonable feedback terms “A better organization of the authorities is needed; it is not acceptable to request documents from day to day”	

Source: Authors’ own elaboration.

4.5. Description of the Experiences of the Actors Involved in the Various Stages of Projects Financed by European Funds (O5)

The research revealed that depending on the project phase—writing, implementation, reporting and monitoring—the experience related to communication is different. To find out the different elements of communication in the mentioned phases, the respondents were asked to highlight some keywords—a positive aspect and an improvable aspect—for each phase; then, they were asked about their opinion about a good communication.

The results indicate that experiences related to communication during the first phase (“Writing”) of a project show that while the availability of resources and the ability to seek clarifications are appreciated, ambiguities in the guidelines and the inclusion of irrelevant documentation are areas for improvement in communication during the writing phase. Additional details are provided in Table 4.

No positive aspects were identified regarding the applicants’ guide during Phase 2, “Implementation”, but several areas for improvement emerged (Table 5). Respondents emphasized the need for clearer, more concise instructions to prevent confusion and delays. Frequent clarifications suggested that the original guidelines lacked clarity, leading to back-and-forth communication. Bureaucratic procedures were seen as excessive, complicating the process, while a lack of clarity and predictability made navigating requirements difficult. Beneficiaries also highlighted the need for an online reporting system to enhance efficiency.

Table 4. Experiences related to communication based on the project writing phase.

Phase 1—Project Writing		
Applicants' guide	Positive aspects	The existence of a guide for writing the funding request and of the frequently asked questions section. The documentation and annexes of the call for projects, the structure of the project, the possibility to ask for clarifications
	Aspects that can be improved	The ambiguities in the guidelines, the structure of the guidelines, the request for some irrelevant documents
Human resources	Positive aspects	Staff from development regional agencies, collaboration with the expert.
	Aspects that can be improved	Different interpretation of the requests, consistency of information, feedback speed.
Communication instruments	Positive aspects	Online platforms availability
	Aspects that can be improved	Difficulties of registering on some online platforms
Others	Positive aspects	Specific courses (for instance—writing a business plan).
	Aspects that can be improved	Too short deadlines for submitting a project, too long times for feedback.

Source: Authors' own elaboration.

Table 5. Experiences related to communication based on the project implementing phase.

Phase 2—Project Implementation		
Applicants' guide	Positive aspects	-
	Aspects that can be improved	Simplifying the instructions, excessive clarifications, bureaucracy, clarity and predictability, and the option for online reporting.
Human resources	Positive aspects	Experts' involvement, the possibility to communicate with the evaluation officers, availability, adequate support
	Aspects that can be improved	The number of sessions for exchanges regarding opinions and experiences
Others	Positive aspects	-
	Aspects that can be improved	Unreasonably short deadlines for justifications, and excessively long response times from authorities

Source: Authors' own elaboration.

The communication challenges identified in the "Project Reporting" phase reflect both positive practices and areas in need of reform as summarized in Table 6. Among these, respondents pointed that standardized forms and direct communication with project officers provide structure and support, but there are clear calls for improvement in reducing bureaucracy, clarifying guidelines, and offering more realistic time frames. A key request is to shift the focus from excessive paperwork to meaningful project outcomes, allowing beneficiaries and authorities to prioritize the impact of projects over administrative tasks.

Table 7 outlines the communication experiences of beneficiaries during Phase 4, "Project Monitoring". This phase is critical for evaluating project progress and ensuring compliance with funding requirements.

The reduction of reporting requirements and the availability of technical support were positively acknowledged; however, there is a distinct need for greater flexibility in guidelines, enhanced digitalization, and more proactive communication strategies.

Table 6. Experiences related to communication based on the project reporting phase.

Phase 3—Project Reporting		
Applicants' guide	Positive aspects	Standardized forms, possibility to make corrections during the process
	Aspects that can be improved	High number of clarification requests, bureaucracy, excessive detailing
Human resources	Positive aspects	Support for assuring the time frame, support for fixing difficulties, possibility to communicate in a direct manner with the project officer, flexibility
	Aspects that can be improved	A degree of rigidity in applying the instructions, excessive focus on documents instead of results
Communication instruments	Positive aspects	Digitalization, online platforms
	Aspects that can be improved	Difficulties in using the MySIMS platform, some non-functional applications, and shared databases
Others	Positive aspects	-
	Aspects that can be improved	Alerts and achievable time frames

Source: Authors' own elaboration.

Table 7. Experiences related to communication based on the project monitoring phase.

Phase 4—Project Monitoring		
Applicants' guide	Positive aspects	Fewer reports
	Aspects that can be improved	Publishing some successful stories
Human resources	Positive aspects	Technical support for meeting the indicators, timely responses for beneficiaries, team patience, and strong expertise
	Aspects that can be improved	More flexibility regarding the interpretation
Communication instruments	Positive aspects	A more flexible communication
	Aspects that can be improved	Digitalization and shared data, along with automated verification of beneficiaries' public data
Others	Positive aspects	Less pressure
	Aspects that can be improved	Increase of economic indicators, educating beneficiaries about the importance of monitoring.

Source: Authors' own elaboration.

5. Discussion

This paper started from the very question brought forward by one of the authors, which was "Is there really a market for European Funds?". The concept of a "market" for European Funds seemed somehow vague since this "market" is not a traditional market in the sense of buying and selling goods or services, but it can be thought rather metaphorically as a market, because it involves interactions between various actors (beneficiaries, authorities, and consultants) and decisions related to the allocation of resources. Unlike traditional markets, which are often driven by free-market forces, the European Funds framework is heavily regulated by both the EU and member state governments. It follows predetermined objectives, such as reducing regional disparities, and is not subject to typical supply–demand dynamics of a free market. At the same time, the primary aim of the European Funds is rather linked to sustainable development than it is profit-driven. The allocation of funds is aimed at achieving economic, social, and environmental objectives, such as reducing inequality and fostering sustainable development, rather than generating financial returns for individual beneficiaries. Moreover, the decision making in this market is influenced by political priorities and administrative capacity rather than pure market forces. Political considerations often determine which sectors or regions receive funding. The allocation of structural funds is determined by both economic criteria and the political context within countries and regions, as well as the interactions between various levels of governance [27]. However, given the fact that similar to a market, various stakeholders interact within a competitive environment, competing for access to limited resources, often affected by information asymmetry and administrative barriers, the authors considered that this market has the minimum elements so that it can be called a "market" the for European Funds. Therefore, there is demand, supply, and competition among "consumers", but there is no actual price unless it is calculated in relation to the opportunity cost.

The European Funds market is a complex, multi-tiered system designed to allocate financial resources from the European Union to its member states, aimed at promoting economic, social, and territorial cohesion. It primarily includes the ESI Funds, which are key financial instruments used by the EU to address regional disparities and foster sustainable development across Europe. These funds are allocated through various programs targeting specific areas such as competitiveness, innovation, and agriculture or fisheries. The European Funds market can be characterized by the interactions and roles of several key actors, the regulatory frameworks governing fund distribution, and the dynamics that influence the absorption and utilization of funds.

The primary stakeholders in the European Funds market can be grouped into several categories based on their roles and responsibilities. At the top level, the European Commission, together with other EU institutions, such as the European Parliament and Council of the European Union, play a central role in designing, overseeing, and monitoring the funds. They set the regulatory framework for each programming period, outline funding priorities, and ensure that MS comply with the established rules and guidelines for fund use. In each member state, managing authorities are designated to oversee the implementation of EU-funded programs. These authorities are responsible for selecting, approving, and monitoring projects that apply for EU funding. They also ensure compliance with EU regulations and oversee the financial management of the funds. MAs serve as intermediaries between the European Commission and project beneficiaries. The certifying and auditing authorities ensure financial compliance and audit the use of EU funds to prevent irregularities, fraud, or misallocation of resources. Certifying authorities verify that the expenses declared by beneficiaries are in line with EU regulations, while auditing authorities check the financial accuracy and accountability of fund use. Beneficiaries are the public and private entities that receive funding for specific projects. They include national and regional governments, local authorities, non-governmental organizations (NGOs), universities, research institutes, private businesses, and social enterprises. Beneficiaries are responsible for implementing the projects funded by the EU, reporting on their progress, and ensuring that the objectives set out in their project proposals are met. Consultants play a vital role in navigating the complexities of the European Funds market. They assist beneficiaries in preparing funding applications, managing project execution, and ensuring compliance with EU requirements. Given the technical nature of the application and reporting processes, consultants often serve as key facilitators in improving fund absorption rates by offering expertise and guidance to beneficiaries.

The regulatory and institutional framework of the European Funds market sets out the conditions for fund allocation, defines eligibility criteria, and establishes mechanisms for fund disbursement. Each member state is required to develop Operational Programs (OPs) that align with EU-wide objectives, tailored to the specific needs of their regions. The regulatory framework also stipulates co-financing arrangements, wherein member states are required to provide a portion of the total project funding, adding national resources to the EU contributions. This system ensures that both the EU and its member states are financially invested in achieving shared goals. However, this also means that national budgets and priorities can influence how quickly and effectively funds are absorbed. The absorption of EU funds is closely monitored through periodic reporting and auditing, with strict rules aimed at ensuring transparency and accountability. Any deviations from these standards can lead to delays in fund disbursement or financial penalties, further adding complexity to the market.

The dynamics of the European Funds market are characterized by complex interactions between its stakeholders, each driven by different incentives and priorities. One of the primary factors influencing the market is information asymmetry, where certain actors—particularly managing authorities and consultants—possess more detailed knowledge about the fund allocation process than beneficiaries. This imbalance can lead to inefficiencies in fund absorption, as beneficiaries may struggle to access the necessary information or navigate administrative hurdles, especially in cases where they lack previous experience with EU funds. To this end, communication between beneficiaries and managing authorities becomes critical to ensuring successful project outcomes. MAs are responsible for guiding beneficiaries through the application and implementation processes, but in some cases, the communication channels may be insufficient or ineffective. Consultants often step in to bridge this gap, offering professional expertise in navigating the regulatory landscape. However, this reliance on third-party assistance can introduce additional costs and may not always be accessible to smaller or less resourced beneficiaries. Another significant factor is the administrative capacity of national and regional governments, which can vary widely across the EU. Countries or regions with more developed administrative systems tend to absorb EU funds more effectively, while those with less institutional capacity may face challenges such as delayed project approvals, inefficiencies in fund management, or failure to comply with EU regulations. These discrepancies contribute to unequal absorption rates across member states and regions.

The European Funds market faces several challenges, primarily related to bureaucratic complexity, varying administrative capacities, and the aforementioned information asymmetries. Delays in fund absorption, often caused by slow project approvals, unclear communication, and cumbersome compliance requirements, have been documented across multiple programming periods. Nevertheless, the market also offers significant opportunities for growth and development, particularly in regions where EU funds play a critical role in addressing infrastructure gaps, fostering innovation, and promoting social inclusion. Improved communication between stakeholders, capacity-building initiatives for less experienced beneficiaries, and the streamlining of administrative processes are key strategies that could enhance the overall efficiency of the market and ensure more equitable access to EU funds.

Informational asymmetry between the managing authority and the beneficiary of European Funds is a common challenge in the fund absorption process, often creating inefficiencies and potential misalignments in project implementation. This dynamic can be described using the principal–agent framework, where the managing authority (the principal) is responsible for allocating and overseeing the funds, while the beneficiary (the agent) seeks financial support for their project. The key issue arises because the beneficiary typically has more detailed and specific information about the proposed project than the managing authority, leading to an imbalance in decision making and risk assessment. In this relationship, the managing authority must rely on the information provided by the beneficiary to assess the project's feasibility, risks, and alignment with EU funding objectives. However, since the beneficiary holds the most comprehensive knowledge of the project, including its potential risks, challenges, and true implementation capacity, the managing authority may face difficulties in fully evaluating the project's viability.

The informational asymmetry between the beneficiary of European Funds (the principal) **and the consultant** (the agent) is a dynamic that can significantly influence the success of project applications and implementation. The beneficiary, often a public institution, NGO, or private entity, seeks expert assistance from a consultant to navigate the complexities of applying for, implementing, and monitoring a project funded by European resources. The consultant, possessing specialized knowledge about the processes, requirements, and standards set by managing authorities, holds a greater understanding of what is necessary for securing and successfully managing the funds. The consultant's advanced understanding of project management, technical regulations, financial requirements, and reporting guidelines gives them leverage in the relationship. Beneficiaries, especially those lacking prior experience with European funding, often rely heavily on consultants to ensure their projects meet the required standards. However, this dependence also creates risks. Consultants may prioritize their own financial or professional interests, recommending actions that benefit their involvement rather than optimizing the project's alignment with the beneficiary's goals or the managing authority's requirements. Misaligned incentives can result in suboptimal project proposals, inflated costs, or administrative delays. Additionally, the quality of the consultant's work directly impacts the project's success. Beneficiaries may face challenges if they lack the ability to independently verify the consultant's expertise or to judge whether the guidance provided is in their best interest. In extreme cases, poorly chosen or underqualified consultants may submit inadequate proposals, leading to project rejections or delays in fund disbursement, which further exacerbates the challenges of fund absorption. Therefore, this asymmetry underscores the need for beneficiaries to carefully vet and collaborate with consultants, ensuring that transparency and shared objectives drive the relationship.

Adverse selection takes place when managing authorities lack complete information about the capabilities and intentions of funding applicants. As a result, they may inadvertently approve projects that are less viable or poorly conceived because they cannot accurately assess the qualifications or the true motives of the applicants. This situation can result in the allocation of funds to projects that are unlikely to succeed, thereby reducing the overall impact and effectiveness of European funding initiatives. At the same time, applicants for European Funds rely on consultants for guidance in navigating the funding process. However, if consultants possess more information about the requirements and nuances of the application process than the applicants, there is a risk of adverse selection. For instance, a less experienced applicant may choose a consultant based on reputation rather than understanding their actual competency. This could lead to the selection of consultants who may not be the best fit for the project, resulting in poorly written applications or inadequate project management. Consequently, applicants may miss opportunities for funding due to ineffective guidance or support.

Moral hazard refers to situations where one party takes risks because they do not bear the full consequences of those risks. In the European Funds market, this can manifest when beneficiaries receive funding but have insufficient oversight or monitoring of their project execution. Once funds are disbursed, beneficiaries may engage in less diligent management practices, knowing that they are not fully accountable for any failures. This could lead to misallocation of resources, project delays, or even fraudulent activities, undermining the goals of the funding program. The lack of transparency and robust monitoring systems exacerbates this issue, as managing authorities may not have the necessary tools to assess project performance effectively.

Regarding the **evaluation of the communication process**, this research highlighted certain nuances and details regarding the perception of communication with authorities, showing that, in general, communication with European authorities is perceived as better than with national authorities in Romania. While communication with European authorities is generally characterized by positive elements such as flexibility, openness, professionalism, and a variety of communication methods, communication with national authorities is often described using negative terms such as demands, contradictions, unclear information, excessive bureaucracy, or unrealistic deadlines. These findings align with Șerban (2014), who emphasizes the importance of improving communication between authorities, consultants, and beneficiaries as part of Romania's internal strategy for absorbing European funds. The research also pointed out that although there is a desire from authorities to improve the process and certain public officials significantly facilitate communication, the issue of human resources within authorities cannot be overlooked. These resources are often insufficient for the large number of projects that need to be managed or are not well-prepared enough to streamline the entire process of absorbing European funds. These results, though indirectly related to communication, are consistent with the observations of [17,61], who pinpointed two systemic issues related to the unsatisfactory absorption of European funds: administrative capacity and constantly changing legislation. Regarding the connection between communication and the absorption rate of European funds, the research identified the factors that can contribute to a better communication: a sustained dialogue between beneficiaries and authorities, the use of appropriate, non-overly specialized language, improving communication skills for all parties involved, and establishing intra- and inter-organizational communication procedures. The results are partially in line with the observations of [62,63], and [5], who identify communication as one of the areas that can contribute to increasing the absorption rate of European Funds in Romania.

The successful implementation of projects financed by European funds relies heavily on effective **communication and collaboration among various stakeholders involved in each project phase**. One of the objectives of this study aimed to explore and describe the experiences of these actors throughout the different stages of project development, including the writing, implementation, and monitoring phases. Understanding the perceptions and challenges faced by beneficiaries, authorities, and other stakeholders can help identifying best practices and areas that require reform. By examining these experiences, insights into how communication practices influence project outcomes, the absorption of funds, and overall satisfaction with the funding process are gained.

During the "Project Writing" phase of the funding process, beneficiaries appreciated the existence of a comprehensive guide for writing the funding request, as well as a frequently asked questions (FAQ) section. These resources provide essential support for applicants, clarifying common uncertainties and guiding them through the application process. Additionally, the documentation and annexes accompanying the call for projects offer valuable information regarding the project structure and requirements, helping beneficiaries to align their proposals with the funding body's expectations. The option to seek clarifications also adds a layer of support, enabling applicants to resolve doubts and enhance their proposals' quality. Despite these positive aspects, beneficiaries noted several ambiguities in the guidelines, which can lead to confusion and misinterpretation. The structure of the guidelines was also criticized, suggesting that a clearer organization could facilitate better understanding. Furthermore, the request for some irrelevant documents has been seen as a hindrance, as it may distract applicants from focusing on the essential elements of their proposals. Respondents highlighted the support provided by staff from regional development agencies and their collaboration with project experts. This access to knowledgeable personnel is crucial, as it helps beneficiaries navigate the complexities of project writing and ensures that proposals meet the necessary criteria. Yet, issues such as different interpretations of the requests by staff can create inconsistencies in the information provided to applicants. This variability can lead to confusion and frustration among beneficiaries. Additionally, there were calls for improvements in the speed of feedback from authorities, as timely responses are critical for maintaining momentum during the proposal development process.

The availability of online platforms for communication and submission of applications was positively noted. These platforms can streamline the application process, making it easier for beneficiaries to submit their proposals and receive feedback. However, beneficiaries reported experiencing difficulties in registering on some online platforms, which can hinder access to important resources and slow down the proposal submission process. Addressing these technical challenges would enhance user experience and facilitate smoother communication. The provision of specific courses, such as those focused on writing a business plan, was appreciated by beneficiaries. These educational opportunities equip applicants with the skills and knowledge necessary to create effective proposals. Nevertheless, beneficiaries expressed concerns about the short deadlines for submitting projects and the prolonged response times for feedback. These tight timelines can create stress for applicants, potentially compromising the quality of their proposals. Longer deadlines and quicker feedback would allow beneficiaries to refine their submissions and better address the requirements outlined in the guidelines.

While no positive aspects were identified regarding the applicants' guide during Phase 2, the "Implementation" phase of a project, several areas for improvement were noted. Respondents expressed the need for clearer and more concise guidance, as overly complicated instructions can lead to confusion and slow down the implementation process. A related concern is the need for frequent clarifications, which suggests that the original instructions are not sufficiently clear. This results in back-and-forth communication, causing delays. Participants cited the overwhelming number of bureaucratic procedures as a hindrance to smooth project implementation. This reflects the perception that unnecessary administrative steps complicate the process. The lack of clarity and predictability in communication with authorities makes it difficult for beneficiaries to navigate the requirements and timelines of the implementation phase. Beneficiaries highlighted the need for an online reporting system, which would streamline communication and make the submission of documents more efficient. The lack of such digital solutions contributes to the perception of bureaucratic inefficiency.

In the process of accessing European funds, administrative structures and bureaucratic requirements are often complex and difficult for beneficiaries to understand. For this reason, many organizations (companies, NGOs, universities) and individuals turn to external consultants to assist them in preparing funding applications. This reliance on consultants introduces a series of additional challenges: (1) Beneficiaries do not interact directly with funding authorities, which can lead to the loss of essential information or misinterpretations. Communication becomes intermediated and harder to manage. (2) The services provided by consultants can be very costly, placing additional financial pressure on beneficiaries with limited resources. (3) Not all consultants are well-trained or qualified, which can result in errors during the application or project implementation process. Laudel and Glaser [19] consider that reliance on consultants can create confusion if they fail to fully understand the details and specifics of the funding framework. Although consultants can provide valuable insights into the complexity of funding applications, their effectiveness largely depends on their level of knowledge and experience with the specific funding programs.

As regards to phase 3, "Project Reporting", respondents appreciated the use of standardized forms, which help streamline the reporting process by providing clear formats and expectations. Additionally, the possibility to make corrections during the process was highlighted as a beneficial aspect, allowing beneficiaries to rectify errors without major disruptions. Despite these advantages, beneficiaries reported several challenges. Even though forms were standardized, respondents still faced numerous requests for clarifications, suggesting that the guidelines provided may not be sufficiently clear. The reporting phase was seen as heavily bureaucratic, with excessive paperwork that added unnecessary complexity. Respondents noted that the authorities often demanded excessive details in reports, which not only increased workload but also shifted the focus away from the project's overall outcomes. Communication with human resources during the reporting phase received largely positive feedback. Beneficiaries felt supported by the project officers in managing the reporting timeline, which is critical for timely project completion. When difficulties arose, respondents appreciated the help they received from project officers to address challenges and move the process forward. The ability to communicate directly with a designated officer was praised for improving efficiency and resolving issues more quickly. Some flexibility in handling reporting requirements was acknowledged, particularly in cases where minor adjustments or clarifications were needed. While flexibility was noted in some areas, there were also complaints about a certain level of rigidity when applying reporting guidelines, which made it harder for beneficiaries to adjust their reporting to unique project circumstances. Respondents expressed frustration that the authorities placed too much emphasis on paperwork and documentation rather than evaluating the project's actual outcomes and impact. The time frames given for reporting were often seen as unrealistic, putting undue pressure on beneficiaries to meet deadlines. More reasonable timelines would allow for a smoother reporting process and better-quality submissions.

Respondents noted the benefit of having fewer reports required during the monitoring phase. This reduction is likely perceived as a simplification of the reporting process, which can lead to a more efficient workflow and less administrative burden on beneficiaries. Among other things, respondents expressed a desire for the sharing of successful stories that could serve as motivational examples and provide guidance on effective practices, thus enhancing the overall learning experience for beneficiaries. The support provided by human resources during the monitoring phase was largely viewed positively. Participants appreciated the assistance in understanding and achieving the necessary performance indicators, which is crucial for successful project monitoring. Quick replies from project officers were highlighted as an essential factor that helps beneficiaries address issues as they arise. The willingness of the team to support beneficiaries, coupled with their expertise, contributes to a more positive experience during the monitoring phase. However, there were suggestions for enhancing the experience, particularly regarding greater flexibility in interpreting guidelines. This flexibility could empower beneficiaries to adapt the requirements to their specific contexts, making the monitoring process more relevant and manageable. Respondents appreciated more flexible communication during the monitoring phase. This adaptability in communication methods allows beneficiaries to engage more effectively with project officers and share information relevant to their unique situations. Areas for improvement include the need for digitalization and shared data, along with automated verification of beneficiaries' public data. Emphasizing digital solutions would streamline communication, facilitate real-time data sharing, and reduce the administrative burden of verifying information manually. Beneficiaries noted less pressure during the monitoring phase, indicating a more relaxed environment that can lead to better outcomes. A reduction in stress allows beneficiaries to focus more on their project activities rather than being overwhelmed by reporting demands. Respondents called for an increase in economic indicators and emphasized the importance of educating beneficiaries about the monitoring process. Improving beneficiaries' understanding of the relevance of monitoring could enhance engagement and compliance with the required metrics.

6. Conclusions

This study provides an in-depth exploration of the European Funds market, with a particular focus on how information asymmetry affects the absorption of European Structural and Investment Funds. Although much has been written on European Funds absorption, this paper offers a novel application of the theory of information asymmetry to understand the challenges in this area. Specifically, the research highlights how asymmetries in information among stakeholders (such as beneficiaries, authorities, and consultants) contribute to inefficiencies and lower absorption rates. By applying this theoretical lens, it reveals new insights into the systemic barriers that hinder the effective use of European Funds, which have been underexplored in prior studies. The literature on European Funds and information asymmetry largely remains focused on economic aspects or technical processes. However, there is limited empirical research exploring how communication and interactions between key actors impact fund absorption rates. This study fills this gap by focusing on stakeholder relationships, institutional dynamics, and systemic inefficiencies in the context of European funding. Communication challenges play a crucial role in fund inefficiencies, a point not sufficiently addressed in existing studies. By using qualitative data from focus groups, case studies, and real-world examples, this paper shows how information imbalances between actors, especially beneficiaries and managing authorities, exacerbate decision-making failures and hinder project success. This focus on communication processes and their direct impact on fund absorption provides a fresh perspective. While many studies have analyzed the European Funds market from a quantitative perspective, this paper's qualitative approach provides richer insights into the personal and organizational factors at play, offering a more nuanced understanding of the barriers to effective fund absorption.

By combining theory with empirical research, it provides a comprehensive perspective that makes the study both timely and valuable for policy improvement.

The research findings reveal that the market is defined by a complex web of interactions between key stakeholders, including EU institutions, national and regional managing authorities, beneficiaries, and consultants. These interactions, governed by specific regulatory frameworks and operational procedures, are shaped by a variety of factors—economic, administrative, institutional, and social—that significantly influence the rate and effectiveness of fund absorption across member states.

A critical conclusion from this research is the pervasive role of information asymmetry in the European Funds market. Addressing issues related to informational asymmetry is essential for improving the efficiency of the European Funds market, as this phenomenon affects the entire absorption process chain, from project selection to implementation and monitoring. Informational asymmetry generates risks such as adverse selection and moral hazard, thereby limiting the ability of authorities to optimally allocate funds and ensure their proper use. Information asymmetry manifests in several forms, particularly between managing authorities and beneficiaries, as well as between beneficiaries and consultants. In the former case, managing authorities, acting as principals, may not possess all the necessary information about the risks and implementation capacity of beneficiaries, who act as agents. This imbalance can lead to adverse selection, where authorities approve projects that may not be optimal or viable due to insufficient information, thus undermining the success of European funding programs. Similarly, beneficiaries, often relying on external consultants to navigate the complexities of fund applications, may not have a full understanding of the consultants' skills, expertise, or experience, which can further compound inefficiencies in project design and implementation.

The consequences of information asymmetry are far-reaching. Two major outcomes—adverse selection and moral hazard—emerge as critical challenges. Adverse selection occurs when less competent or poorly structured projects are selected for funding, primarily because the managing authorities cannot accurately assess the risks or the quality of the project proposals. This can result in inefficient allocation of resources, delays, and even project failure. A clear example of this issue was seen in Romania, where under Measure 3 "Investment Grants for SMEs," costs related to project writing, implementation, and monitoring were classified as eligible expenditures, with a minimum of RON 10,000. This policy led to artificially inflated prices in the consultancy market and discouraged applicants with strong project ideas but limited financial resources. However, according to Beugelsdijk and Eijffinger [64], moral hazard significantly influences European funding initiatives through national institutional concerns, fiscal governance, and the impact on structural funds. Despite the fact that a systematic comparison with other cases from comparable EU state members was not performed, the literature and the results of this study revealed that these themes underscore the need for careful management and regulatory frameworks to mitigate the risks associated with moral hazard in the European context. Moral hazard, on the other hand, arises when beneficiaries, after receiving funds, deviate from the agreed-upon objectives of the project, knowing that the managing authorities may not have the capacity to monitor every detail of project execution. An example of this occurred in Romania, where beneficiaries of the European Agricultural Fund for Rural Development misused funds designated for agrotourism projects by converting guesthouses into personal residences. This misuse highlights how moral hazard can undermine the effectiveness of European funding initiatives when proper monitoring mechanisms are lacking. The allocation of structural funds has often been associated with the risk of moral hazard, given concerns about their inefficient use by beneficiaries, particularly in EU member states with high levels of corruption.

Although structural funds have demonstrated a positive impact on economic growth in less developed economies within the European Union, the risk of moral hazard highlights the necessity for rigorous monitoring mechanisms and strict eligibility criteria to ensure the efficient and transparent management of these resources.

This research also highlights the need for improving communication processes across all stages of fund management. Effective communication between managing authorities and beneficiaries is vital to ensuring that projects align with the intended objectives and are executed efficiently. However, the study identifies significant gaps in these processes, with many beneficiaries lacking sufficient guidance or clarity on application procedures, reporting requirements, and project monitoring standards. The reliance on consultants further complicates this communication, as the beneficiaries often depend on external expertise to interpret and navigate the complex administrative frameworks of European funding.

Moreover, the experiences of various stakeholders involved in ESI-funded projects underscore the need for capacity-building initiatives and improved governance mechanisms. Administrative bottlenecks, bureaucratic burdens, and inconsistent coordination between national and regional authorities are major barriers to effective fund absorption. Regions with lower administrative capacity or weaker institutional frameworks face particular challenges, leading to unequal absorption rates across member states.

The European Funds market is thus marked by a series of constraints associated with informational asymmetry, which affect the efficiency of the absorption and implementation of projects funded by the European Union. These constraints include the following:

- Lack of clear information for beneficiaries—application guidelines are often complex, with ambiguities in requirements and procedures;
- Excessive dependence on consultants—beneficiaries, especially those with no prior experience, rely heavily on consultants for drafting and implementing projects. This imbalance can lead to suboptimal projects, increased costs, or the use of unqualified consultants;
- Adverse selection—MAs have limited access to detailed information about applicants, which can result in funding speculative projects at the expense of valuable ones;
- Moral hazard—after fund approval, beneficiaries may fail to fully adhere to their commitments, using resources in ways that deviate from the initial objectives;
- Deficiencies in communication with authorities—communication between beneficiaries and national authorities is perceived as fragmented, contradictory, and bureaucratic.

To overcome the challenges posed by adverse selection and moral hazard in the management of European Funds, it is essential to adopt a combination of preventive and corrective measures aimed at reducing informational asymmetry. By addressing this imbalance, the efficiency of project selection and the success of implementation can be significantly improved. An integrated approach, combining existing solutions with new perspectives, can transform this market into a more transparent and effective one.

A key first step is to increase transparency and provide better access to information by simplifying the guides for applicants. Using accessible language and developing dedicated digital platforms can centralize information and streamline project management processes. Additionally, creating transparent evaluation grids, along with engaging experienced evaluators, would ensure the selection of valuable and impactful projects. Moreover, improving the consultant selection process through independent and reliable sources, including non-profit organizations or public entities, can support applicants in making informed decisions.

A second step is to build collaboration and strengthen capacities trough training both beneficiaries and MAs, for improving the skills necessary for accessing and managing ESI Funds. In this regard, creating public support networks and accrediting consultants can ensure access to qualified expertise, reducing the risk of collaboration with unqualified individuals. Another important aspect is related to ethics and accountability in fund management to discourage exploitative behavior. When informational asymmetry cannot be completely eliminated, clear legal provisions can prevent abuse by beneficiaries or consultants. Well-defined contracts that promote adherence to project objectives are essential in this context.

A fourth step is to ensure project efficiency and rigorous monitoring and evaluation. It is necessary to develop clear and measurable outcome indicators that align projects with strategic objectives. Furthermore, using digitalized audit systems can facilitate the monitoring of progress and resource management, thereby preventing non-compliant behaviors. Moreover, by reducing bureaucratic barriers and promoting direct collaboration between beneficiaries and authorities, the efficiency of accessing European funds can be enhanced. Simplifying processes and reducing transaction costs would eliminate many of the current administrative hurdles. Authorities should strengthen administrative capacity, streamline procedures, stabilize legislation, adopt clear and accessible communication practices, leverage digital tools, foster collaboration with European institutions, and invest in the training and professional development of public officials.

Finally, in the digital age, the power of online feedback can also be exploited, as client reviews and feedback represent a valuable resource. Social platforms and online reviews provide useful insights about consultants, helping beneficiaries make better-informed decisions. Furthermore, the transparency of these reviews encourages consultants to maintain high standards, knowing their reputation is public.

By implementing these measures, authorities and beneficiaries can reduce the risks associated with informational asymmetry, improve fund absorption rates, and maximize the impact of funded projects.

While this study has provided valuable insights into the role of information asymmetry in the European Funds market, there are several areas that deserve further exploration. These recommendations aim to deepen the understanding of the European Funds absorption process and improve policy making in this critical area. Future research could explore information asymmetry across different EU member states, especially those with varying levels of administrative capacity and economic development. Such cross-country comparative studies would offer a broader view of how different governance structures, institutional capacities, and cultural contexts influence the absorption of European Funds. This would help determine whether the challenges identified in Romania are prevalent across other EU countries as well.

This qualitative study could be complemented with a quantitative approach to measure information asymmetry. A survey-based study could be designed to measure the perceived levels of information asymmetry among various stakeholders, including beneficiaries, consultants, and managing authorities. By correlating these perceptions with actual absorption rates, researchers could establish more robust evidence of the causal impact of information asymmetry. Moreover, a longitudinal approach could track changes over time in the relationship between information asymmetry and the absorption rate of European Funds. Such studies would help understand the long-term effects of governance reforms, communication improvements, and changes in stakeholder behavior on fund absorption.

Future studies could also examine the impact of technological tools—such as online platforms, blockchain, or data analytics—on reducing information asymmetry in the European Funds market. This would address how digital innovation can improve transparency and communication, ultimately leading to better ESI fund absorption. Additional research could focus on examining collaborative governance models among stakeholders involved in European Funds management. Understanding how cooperation between beneficiaries, consultants, managing authorities, and other actors can mitigate information asymmetry is essential for improving fund utilization specific strategies or institutional arrangements that have proven successful in overcoming information gaps could be evaluated. Finally, future studies could focus on developing concrete policy recommendations aimed at improving the communication processes between different stakeholders. By exploring these areas, future research can contribute to the ongoing efforts to optimize European Funds absorption, fostering more equitable, transparent, and efficient utilization of resources across the EU.

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