



FORGING LINKS, DRIVING IMPACTS

CAREC and AZERBAIJAN



WHAT IS THE CAREC PROGRAM?

The Central Asia Regional Economic Cooperation (CAREC) Program brings together 11 countries^a and multiple development partners to accelerate economic growth and reduce poverty. It is guided by the overarching vision of Good Neighbors, Good Partners, and Good Prospects. The Asian Development Bank (ADB) serves as the CAREC Secretariat.

For more than 2 decades, the program has been a unique platform helping develop and implement regional projects, support policy reforms, and pilot multisector initiatives critical to sustainable economic growth.

From 2001 to 2024, CAREC mobilized \$52.5^b billion in investments with a focus on establishing multimodal transport networks, increasing energy trade and security, facilitating the safer movement of people and goods, and developing economic corridors.

CAREC 2030 Strategy is the long-term strategic framework for the program, anchored in a mission to connect people, policies, and projects for shared and sustainable development. Through practical, action-oriented projects and a collaborative approach, the program fosters inclusive economic growth and yields tangible economic benefits for its member countries and their people.

- ^a ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021 and has been supporting the Afghan people through a special financing arrangement with the United Nations since 2022.
- ^b “\$” refers to United States dollars.



CAREC AND **AZERBAIJAN**

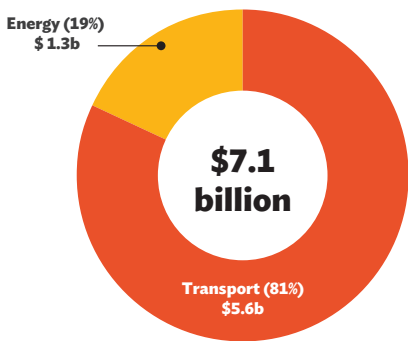
Azerbaijan joined the CAREC Program in 2003. Since then, the country has collaborated with other CAREC members to foster growth and connectivity, positioning the region at the center of Eurasia's trade and commerce as global markets become more interconnected.

With CAREC's support, Azerbaijan continues to strengthen its international and domestic road networks to drive economic growth, boost the competitiveness of its products through expanded trade, and accelerate regional development. The country's North-South and East-West transport networks hold significant potential as key corridors for transit traffic between Asia and Europe. The rehabilitation of many of Azerbaijan's roads could boost non-oil trade and increase traffic between the Caspian Sea and Black Sea.

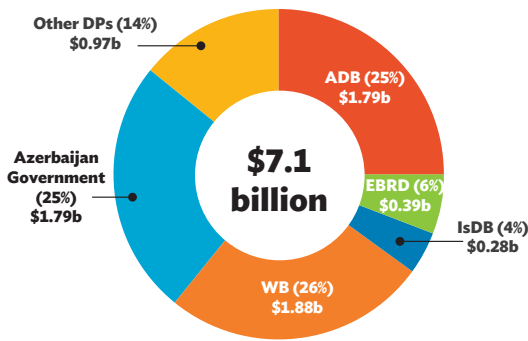


CUMULATIVE INVESTMENTS

As of December 2024, Azerbaijan has 23 CAREC-related investment projects worth more than \$7.1 billion. More than 80% of these projects promote transport connectivity, with 18% in the energy sector.



Investment by Sector



Investment by Funding Source

ADB = Asian Development Bank, b = billion, DP = development partner, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank, WB = World Bank.
Note: Investments by funding source include cofinancing. Other development partners include Agence Française de Développement, the Saudi Fund for Development, and the European Union.



AZERBAIJAN ROAD NETWORK DEVELOPMENT PROGRAM

This \$500 million project—with ADB financing—improved the country's road infrastructure, expediting travel and trade. Completed in 2017, the project built and rehabilitated the 59-kilometer (km) Masalli–Astara section of the expressway connecting Baku to the southern border and upgraded 39.5 km of rural roads. The project also rehabilitated a 37.5 km two-lane bypass road and 41 km of local roads and reconstructed 22 km of bridges around Gazakh, easing access to CAREC Corridor 2 via the East–West Highway between Azerbaijan and Georgia.

Boosting regional connectivity and trade

- Trade turnover grew from \$2.2 billion in 2006 to \$3.6 billion in 2018.

Improving transport capacity and access to markets and economic centers

- Road freight traffic capacity increased by 124%.
- Passenger traffic grew by 132%.

Stimulating rural growth and creating jobs in remote areas

- Travel time on the Ganja bypass road was reduced by 50%.
- Incomes of households along the expressway rose by about 11%.

Building capacity of the State Agency of Azerbaijan Automobile Roads for planning and road network management

- The Build–Operate–Transfer Law was adopted in 2016.
- The Law on Roads was amended in 2017, enabling road tolling.
- The expressway's international roughness index dropped from 11.0 in 2006 to 2.0 after 2017, allowing for greater vehicle speed and lower operating costs.

Source: Independent Evaluation Department. 2021. [Validation Report: Road Network Development Program in Azerbaijan \(Multitranchise Financing Facility and Tranche 4\)](#). ADB.





EAST-WEST HIGHWAY IMPROVEMENT PROJECT

Azerbaijan's most important corridor for international trade is the 500 km East–West Highway, which runs between the Caspian Sea and the Black Sea. The highway is part of CAREC Corridor 2 and links Asia with Europe. With ADB financing, the \$52 million project sought to optimize the efficiency of transport and accelerate socioeconomic development in six districts in western Azerbaijan. Completed in 2010, the project reconstructed about 94 km of highway—39 km along the Gazakh–Georgia border and 55 km at the Yevlakh–Ganja section.

Upgrading trade and transport quality and efficiency

- Facilities and capacity improved for border crossing at the Red Bridge with Georgia.
- Total foreign trade increased by an average of 30% per annum (2005–2009).
- Traffic on project roads increased by an annual average of 10.8% (2006–2010).

Improving access to jobs, agricultural and industrial markets, education, and social services

- Gross domestic product growth for the six districts reached 13.1%, higher than the national average, after project completion (2010–2014).
- 56 manufacturing and service enterprises were established.
- Travel time between Kemerli and Gazakh dropped by a fifth, and between Asan and Gazakh by almost a third.
- Average employment increased by 8.1% in Gazakh during project implementation, surpassing the national average, with the average salary increasing by up to 185%.





POWER TRANSMISSION ENHANCEMENT PROJECT

This \$160 million project supported by ADB aimed to increase the capacity of the west-to-east power transmission network, ensure the stability of power supply in key industrial hubs, and optimize domestic energy resource utilization.

Completed in 2014, the project constructed a double-circuit 220-kilovolt (kV) transmission line and a 220/110 kV substation with associated 110 kV transmission lines and helped build Azerenergy's capacity.

Strengthening the national power transmission system

- Power transmission capacity of the 220 kV grid in project areas increased by 300 megawatts.
- The distribution capacity of the 220 kV substations grew by 1,010 megavolt-amperes, exceeding the target by 55%.

Ensuring reliable and adequate power for economic activity

- Annual energy generation from the power grid increased by 23%.
- Unplanned electricity outages dropped to zero.
- Annual net carbon dioxide emissions decreased by 600,000 tons.
- Net electricity exports reached 365.2 gigawatt-hours.

Sources: ADB. 2015. [Completion Report: Power Transmission Enhancement Project in Azerbaijan](#); and Independent Evaluation Department. 2016. [Validation Report: Power Transmission Enhancement Project in Azerbaijan](#). ADB.



Photo from Azerbaijan Railways Closed Joint Stock Company (ADY).

Photo from Azerbaijan Railways Closed Joint Stock Company (ADY).



AZERBAIJAN RAILWAYS

DIGITAL TRANSFORMATION

PROJECT

In October 2024, ADB approved a \$47 million loan to drive the digital transformation of Azerbaijan Railways Closed Joint Stock Company (ADY), the state-owned operator. The project will modernize rail transport management, asset management, investment planning and management, freight client handling, and corporate operations. By streamlining data management and optimizing overall rail operations, the initiative aims to elevate operational and financial performance, reduce costs, boost rail safety, and upgrade the workforce of the company.

Sources: ADB. 2024. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Azerbaijan for the Azerbaijan Railways Digital Transformation Project](#); and ADB. 2024. [ADB Approves \\$47 Million Loan to Help Digitalize Azerbaijan's Railways](#). News release. 1 October.

RAILWAY SECTOR DEVELOPMENT PROGRAM— ADDITIONAL FINANCING

ADB has approved a \$131.5 million loan to complete the rehabilitation of about 166 km of double-track main line, civil structures, and level crossings along the Sumgait–Yalama rail line—a key link in the North–South Railway Corridor within the CAREC network—to improve rail network serviceability. The loan serves as additional financing for the Railway Sector Development Program, approved in 2017. Under the program, Azerbaijan Railways implemented comprehensive reforms that strengthened its financial capacity and railway management. Since then, Azerbaijan Railways has continued to improve its operational and financial performance, with freight transport growing by 34%, from 14 million tons to 18.7 million tons in 2018–2022. More than 80% of this volume is international or transit traffic.

Sources: ADB. 2024. *Report and Recommendation to the President: Proposed Loan for Additional Financing to the Republic of Azerbaijan for the Railway Sector Development Program*; and ADB. 2024. *ADB Project to Further Improve Rail Service in Azerbaijan*. News release. 16 September.



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