

# THE LEGAL IMPLICATIONS OF THE MAY 13, 2026, STATEMENT ON THE RESTRUCTURING OF VENEZUELAN DEBT

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*Executive Summary: This analysis examines the legal implications of the May 13, 2026, announcement of the restructuring of Venezuela's external debt. There are three central conclusions: (i) the announcement covers all external public debt owed to private creditors, including non-financial debt arising from contractual awards and claims; (ii) under General License 58, the Government may undertake only preparatory actions, or "step zero," without authorization to negotiate directly with creditors; and (iii) these preliminary actions are informed by the general principles of administrative law, including transparency, and will be reinforced by the institutional anchorage of the International Monetary Fund.*

## INTRODUCTION

On May 13, 2026, the official statement of the Sectoral Vice Presidency of the Economy was disseminated on social networks, announcing the beginning of the "debt restructuring process"<sup>1</sup>. This is not the first announcement in this regard. In fact, on November 2, 2017, along with the decision to suspend payments on foreign debt bonds, then-President Nicolás Maduro decreed "a refinancing and restructuring of Venezuela's foreign debt and all payments."<sup>2</sup>

But the announced restructuring never materialized, despite repeated announcements on the matter<sup>3</sup>, including in presidential messages<sup>4</sup>. Three legal reasons explain why these announcements were not implemented:

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<sup>1</sup> See: <https://www.mppef.gob.ve/comunicado-gobierno-de-la-republica-bolivariana-de-venezuela-anuncia-el-proceso-de-reestructuracion-de-deuda/>

<sup>2</sup> See our comments in "¿Puede el gobierno refinanciar o reestructurar la deuda pública venezolana?," Prodavinci, November 3, 2017, from: <https://historico.prodavinci.com/blogs/puede-el-gobierno-refinanciar-o-reestructurar-la-deuda-publica-venezolana-por-jose-i-hernandez/>

<sup>3</sup> On November 13, 2017, a meeting was held with creditors regarding the decreed restructuring, but there was no concrete progress. See: <https://www.nodal.am/2017/11/venezuela-se-reune-con-los-tenedores-de-bonos-para-reestructurar-y-refinanciar-la-deuda-externa/>

<sup>4</sup> On January 5, 2018, in a presidential message, it was announced that "very soon" "new formulas would be implemented that mean a refinancing, a restructuring of all Venezuela's external payments." See "Nicolás Maduro announced a restructuring of Venezuela's external debt and the payment of 74,000 million dollars," INFOBAE, January 5, 2018, taken from <https://www.infobae.com/america/venezuela/2018/01/05/nicolas-maduro-anuncio-una-reestructuracion-de-la-deuda-externa-venezolana-y-el-pago-de-74-000-millones-de-dolares>

The *first reason* concerns the constitutional conflict with the 2015 National Assembly, which prevented the exercise of political control mechanisms. Any renegotiation agreement under such conditions would have been severely affected by doubts of legitimacy<sup>5</sup>.

The *second reason* was the sanctions policy, which, unexpectedly, was extended in 2017 to certain public debt securities<sup>6</sup>.

The *third reason* is the United States Government's recognition of the president of the National Assembly as the interim president of the Republic since January 23, 2019. This recognition prevented the Maduro government from legally representing the Republic and its entities in the United States to renegotiate bond issuance contracts.<sup>7</sup>

The events of January 3, 2026, have modified some of these legal obstacles. Specifically, in March 2026, the United States government recognized Delcy Rodríguez as head of state. As a result, the legal representation of Venezuela's government shifted from the 2015 National Assembly to a government presided over by Rodríguez, which the United States describes as "interim authorities."<sup>8</sup>

In addition, although Venezuela's sanctions remain in place, General License 58, issued on May 5, 2026, paved the way for preparatory actions for the renegotiation of the debt. The International Monetary Fund's decision to resume relations with Venezuela also contributed to these actions<sup>9</sup>.

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<sup>5</sup> Among others, see: Brewer-Carías, Allan, *Dictadura Judicial y perversión del Estado de Derecho. La Sala Constitucional y la destrucción de la democracia en Venezuela*, Editorial Jurídica Venezolana Internacional, Caracas, 2016.

<sup>6</sup> In particular, with Executive Orders No. 13808, of August 24, 2017, and No. 13835 of May 21, 2018.

<sup>7</sup> As we have explained in Hernández G., José Ignacio, *La defensa judicial del Estado venezolano en el extranjero y la deuda pública legada de Chávez y Maduro (2019-2020)*, Editorial Jurídica Venezolana, Caracas, 2022, pp. 95 et seq.

<sup>8</sup> See our analysis in "Delcy Rodríguez es reconocida como "Jefe de Estado". ¿Y ahora qué?", *La Gran Aldea*, March 14, 2026, taken from: <https://lga.laгранaldea.com/2026/03/14/delcy-rodriguez-es-reconocida-como-jefe-de-estado-y-ahora-que/>

<sup>9</sup> Véase: International Monetary Fund, "IMF Announces Resumption of Dealings with Venezuela", Press Release No. 26/123, 16 de abril de 2026, tomado de: <https://www.imf.org/en/news/articles/2026/04/16/pr26123-venezuela-imf-announces-resumption-of-dealings>

## I. THE PURPOSE OF THE STATEMENT

The statement, signed by the Sectoral Vice Presidency of Economy, on behalf of the Republic, announced "*the formal launch of a comprehensive and orderly process of restructuring the external public debt of the Republic and PDVSA.*" As we will see later, there is another English version of the statement with variants.

In any case, the official statement announces the process of restructuring the foreign debt, which, in accordance with Venezuelan law, must be interpreted as follows<sup>10</sup>:

*First*, the restructuring announcement applies only to foreign debt. Under Venezuelan law, this debt includes financial obligations in foreign currency contracted with persons not domiciled in Venezuela<sup>11</sup>. More than domicile, the determining factor is the currency of payment, because it requires the ability to generate income in foreign currency.

Therefore, legally, the announcement includes the restructuring of all financial obligations payable in foreign currency, excluding obligations payable in local currency, which make up the so-called domestic public debt.

*Second*, the restructuring was described as comprehensive, encompassing all financial obligations under external debt. This includes not only Eurobonds but also all monetary obligations denominated in foreign currency, including non-financial debt such as arbitration awards. In Venezuelan law, public debt is a broader concept than public credit operations, which typically refer to financial debt<sup>12</sup>. As we explain later, official debt could be excluded.

In this sense, and *thirdly*, the announcement only alludes to the debt of the Republic and of *Petróleos de Venezuela, S.A. (PDVSA)*. However, to be comprehensive, it should include all the bodies and entities that make up the public sector<sup>13</sup>.

Finally, and *fourthly*, the purpose of the announcement is to restructure the external public debt. Venezuelan law differentiates between *debt*

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<sup>10</sup> On debt restructuring, see in general Badell Madrid, Rafael, *Venezuelan external public debt: legal considerations around its restructuring*, Academy of Political and Social Sciences, Caracas, 2026, pp. 20 et seq.

<sup>11</sup> Article 3.17, Regulation number 2, *Organic Law of the Financial Administration of the Public Sector*.

<sup>12</sup> Public credit operations are those through which the State finances itself to cover public spending, including the issuance of securities, in what is considered financial debt (Article 80, *Organic Law on the Financial Administration of the Public Sector*). In a broad sense, public debt encompasses all pecuniary obligations, whether or not they respond to a public credit operation.

<sup>13</sup> In accordance with Article 11 of the *Organic Law on the Financial Administration of the Public Sector*.

*refinancing* and *debt restructuring*<sup>14</sup>. Although the distinction between these concepts isn't explicitly clear in the relevant regulation, they are generally associated with the renegotiation of public debt. This can include modifying the original terms of the obligation (restructuring) or replacing the obligation with a new one (novation), such as refinancing. Beyond these definitions, the key point is that renegotiating external public debt should aim to enhance the State's ability to meet its payment obligations, or in other words, ensure debt sustainability.<sup>15</sup>

This last aspect connects with the purposes the announced restructuring must serve and with the macroeconomic constitutional foundations, as we will explain shortly.

## II. THE PURPOSE OF RESTRUCTURING: DEBT SUSTAINABILITY

According to the official statement, the aim of debt renegotiation—whether through restructuring or refinancing— is to restore its sustainability. This should be understood within the context of the macroeconomic principles outlined in Article 311 of the Constitution: efficiency, solvency, transparency, responsibility, and fiscal balance. These principles formed the basis for the constitutional idea of debt sustainability, also rooted in Article 312<sup>16</sup>. Thus, public debt is sustainable when the government's financial obligations maintain a “prudent level” relative to the size of the economy, productive investment, and the capacity to generate income to cover the service of public debt and other public expenditures. This constitutional concept of public debt, moreover, connects with the form of the social and democratic State of law (Article 1 of the Constitution) and with the constitutional mandates that call on the government to promote human development. Thus, under the Constitution, debt is considered sustainable when the debt service does not prevent the government from

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<sup>14</sup> Article 100, *Organic Law on the Financial Administration of the Public Sector*, in accordance with numerals 33 and 4 of Article 3 of Regulation number 2.

<sup>15</sup> Hence, the instruments of renegotiation involve any modification that reduces the financial burden of the debt, including the reduction of the agreed interest rate, the extension of the term foreseen for payment, the conversion of an external debt into an internal one, the reduction of the projected cash flow, or the gain or savings in the effective cost of financing (Article 57, Regulation number 2).

<sup>16</sup> Article 2 of *the Organic Law on the Financial Administration of the Public Sector* complements these principles.

complying with those mandates through its public policies, in the context of other financial commitments<sup>17</sup>.

The statement published on 13 May 2026 justifies the debt restructuring process announced precisely with these objectives. Thus, the statement recognizes that the debt is a "burden" that prevents "placing the economy at the service of the Venezuelan people." The financial obligations are described as "unsustainable", thus recognizing that their fulfillment is not compatible with public spending associated with constitutional mandates aimed at human development, and that the statement enunciates as investment in "health, electricity, water, education, infrastructure, productive recovery and the well-being of its population." In line with Articles 311 and 312 of the Constitution, the objectives of the announced renegotiation are to "rebuild the country's capacity to mobilize financing, attract investment, stabilize the economy and materially improve the quality of life of every Venezuelan," which will require "substantial debt relief."

The reference to "substantial relief" anticipates that the workout will seek to reduce the financial burden of the debt to restore its sustainability, through contractual mechanisms – haircuts, term extensions, coupon rate modifications, grace periods, or contingent instruments – the aggregate effect of which usually results in a reduction in net present value, an extension of duration, and a decrease in debt service, among others.

### III. THE LEGAL IMPLICATIONS OF THE COMMUNIQUÉ IN THE CONTEXT OF THE GENERAL LICENSE 58

Venezuelan law does not rigidly regulate the procedure for renegotiating public debt, as it focuses on defining its objectives, policies, and applicable parliamentary and administrative controls. In any case, based on a comparative study of this procedure, it is possible to identify its preparatory stages, the beginning, and the culmination<sup>18</sup>.

Even though the statement announces the start of the renegotiation, economic and legal considerations lead us to conclude that, in reality, only

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<sup>17</sup> See, accordingly, Article 82 of the *Organic Law on the Financial Administration of the Public Sector*. This constitutional concept of debt sustainability is different from the economic concept, which is not covered in this paper.

<sup>18</sup> Buchheit, Lee C., Chabert, Guillaume, DeLong, Chanda, and Zettelmeyer, Jeromin, "How to Restructure Sovereign Debt: Lessons from Four Decades", Peterson Institute for International Economics Working Paper No. 19-8, mayo de 2019, tomado de: <https://www.piie.com/publications/working-papers/how-restructure-sovereign-debt-lessons-four-decades>

preparatory actions could be carried out. According to the manual prepared by the *Global Sovereign Debt Roundtable*, these actions constitute "step zero" of the renegotiation<sup>19</sup>. A basic component of this zero step is to estimate the total amount of external public debt to be renegotiated, which is key to defining the "*restructuring envelope*", that is, the quantitative scope of the debt relief required. This, in turn, involves the economic study aimed at determining debt sustainability, known as debt sustainability analysis. This analysis and these initial steps require the hiring of advisors and, ideally, interaction with the International Monetary Fund.

However, a press release in English was published on the news distribution service Business Wire, attributed to the financial advisor hired by the interim authorities, *Centerview Partners*, which provides additional information on the announced renegotiation process<sup>20</sup>. Regarding the scope and purposes of the restructuring, the English version does not deviate from the official statement. However, it clarifies that the restructuring will not include official debt, that is, binational and multilateral claims. The key difference, though, is that the English version announced that Venezuela "*expects to present its macroeconomic framework and public debt sustainability analysis to the international financial community in June 2026.*" The difference between the Spanish statement and the English version on this important issue sets a bad precedent, as it violates the principle of transparency, since the official communication omitted a fundamental point of the expected next steps.

In any case, the anticipated sustainability analysis for June indicates that, at least at this stage, it will not be prepared jointly with the International Monetary Fund. In fact, the Fund clarified that, for the moment, it is not involved in the announcement of the debt renegotiation<sup>21</sup>.

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<sup>19</sup> Global Sovereign Debt Roundtable, *Sovereign Debt Restructuring: A Playbook for Country Authorities*, Updated version as of April 15, 2026, IMF-World Bank-G20, tomado de: <https://www.imf.org/-/media/files/about/faq/gedr/041526-gedr-restructuring-playbook.pdf>

<sup>20</sup> See: <https://www.businesswire.com/news/home/20260513151766/en/The-Bolivarian-Republic-of-Venezuela-Announces-the-Initiation-of-a-Comprehensive-Public-Debt-Restructuring-Process>. Centerview also published the English versión: [https://www.centerviewpartners.com/docs/20260513 BRV Debt Restructuring Press Release.pdf](https://www.centerviewpartners.com/docs/20260513_BRV_Debt_Restructuring_Press_Release.pdf)

<sup>21</sup> See: "Venezuela embarks on \$150 billion restructuring of debt amid political turmoil", CNBC, May 14, 2026, retrieved here: <https://www.cnbc.com/2026/05/14/venezuela-bonds-debt-restructure-maduro-trump-oil.html>; Yapur, Nicolle and Vizcaino, Maria Elena, "Venezuela Kickstarts \$170 Billion Debt Restructuring Process", Bloomberg, May 13, 2026, retrieved here: <https://www.bloomberg.com/news/articles/2026-05-13/venezuela-government-announces-debt-restructuring-process>.

From a legal perspective, any study that does not involve the Fund faces credibility and transparency risks, given the institutional fragility in the measurement, publication, and dissemination of macroeconomic information, as provided for in the aforementioned articles 311 and 312 of the Constitution. Quoting the Fund's Managing Director, Kristalina Georgieva, the adequacy of macroeconomic information "falls very short. You can't make good decisions if you don't have reliable data."<sup>22</sup>

Specifically, identifying the sustainable debt level requires first assessing the total external debt. While this is straightforward for Eurobonds, it is more complicated for non-financial debt, which encompasses a range of claims from contractual breaches to expropriation. One method to estimate this figure is debt reconciliation, an accounting review of the total foreign currency obligations.

All professional services during the preliminary stage are authorized under General License 58 (GL 58). Thus, this license authorizes the Government of Venezuela to contract professional services related to the renegotiation of the public debt (paragraph a). The professional services that may be contracted, according to note 2 of the aforementioned paragraph a, include legal, financial, advisory, and consulting services, that is, all the professional services necessary for the potential restructuring of the debt, including the study, development, and preparation of restructuring options and proposals with their corresponding support materials<sup>23</sup>.

It should be clarified that LG 58 only authorizes the contracting of professional services that may culminate in studies, proposals, or options for the renegotiation of the debt, but does not authorize direct negotiations with creditors or the execution of contracts to implement the renegotiation (paragraph b, numerals 1 and 3). Therefore, formally, GL 58 does not authorize the Government of Venezuela to renegotiate the public debt<sup>24</sup>.

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<sup>22</sup> *Press Briefing Transcript: International Monetary and Financial Committee, Spring Meetings 2026*, 17 de abril de 2026. Disponible en: <https://www.imf.org/en/news/articles/2026/04/17/tr-04172026-transcript-imfc-press-briefing-spring-meetings-2025>

<sup>23</sup> Services may not be contracted with firms incorporated in China, Iran, Cuba, North Korea, and Russia, or with sanctioned consultants (numerals 4 and 5, paragraph b).

<sup>24</sup> It is important to remember that Venezuelan debt bonds are subject to a special regime under economic sanctions regulations. Thus, operations in the secondary market are authorized by General Licenses 3I and 9H. At the same time, General License 5W temporarily prohibits holders of PDVSA 2020 bonds from exercising rights over 50.1% of the shares of Citgo Holding, Inc., assigned as collateral. Likewise, Executive Order 14373 and various general licenses issued in the hydrocarbons and mines sectors, including general licenses 49A, 50A, 51A, 52A, and 55A, maintain prohibitions on debt renegotiation, including the implementation of payment mechanisms in kind.

Therefore, the Government cannot initiate the renegotiation of the debt if that refers to direct negotiations with external debt creditors aimed at exploring restructuring and refinancing options to restore debt sustainability.

In addition to the limitations derived from LG 58, and from the perspective of constitutional law, initiating the renegotiation process and, even more, concluding renegotiation contracts are tasks that require a clear constitutional and popular mandate from the Presidency of the Republic, a mandate that does not exist under the current conditions, as legal uncertainty persists regarding the presidential absence after the events of January 3, 2026<sup>25</sup>.

#### IV. THE PRINCIPLE OF TRANSPARENCY

This preliminary stage, the "zero step", is set out in articles 311 and 312 of the Constitution, which underline the importance of transparency as one of the general principles of administrative law governing debt renegotiation. This principle, in accordance with Article 141 of the Constitution, guides all financial administrative activity, with the ultimate purpose of publicly disseminating relevant information from this preliminary stage and establishing open mechanisms for citizen participation.

The principle of transparency has gained increasing interest in the area of public debt<sup>26</sup>. This principle should be applied throughout the entire debt policy cycle, including the initial planning phase of formally initiating the restructuring process. Hence, the importance of the International Monetary

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<sup>25</sup> The renegotiation of the debt is the responsibility of the Presidency, exercised in accordance with the applicable legislative and fiscal controls (Article 236, paragraph 11 of the Constitution). After January 3, 2026, a vacuum was generated in the exercise of the Presidency, in the sense that the vice president has not assumed the Presidency in accordance with the formalities of articles 233 and 234 of the Constitution, all leaving aside the questioning of the legitimacy of Nicolás Maduro's presidential mandate, as has been repeatedly pointed out by the United States Government, including in the context of the recognition of Delcy Rodríguez. This study does not analyze the constitutional authority necessary to renegotiate the debt. See Hernández G., José Ignacio, "Constitutional Authoritarian Populism in Venezuela after Maduro," I-CONnect Blog, January 5, 2026, taken from: <https://www.iconnectblog.com/constitutional-authoritarian-populism-in-venezuela-after-maduro/>

<sup>26</sup> Vasquez, Karla, Alex-Okoh, Kika, Ashcroft, Alissa, Gullo, Alessandro, Kroytor, Olya, Liu, Yan, Pineda, Mia and Snipeliski, Ron, "The Legal Foundations of Public Debt Transparency: Aligning the Law with Good Practices", IMF Working Paper No. 2024/029, February 2024, retrieved here: <https://www.imf.org/en/Publications/WP/Issues/2024/02/09/The-Legal-Foundations-of-Public-Debt-Transparency-Aligning-the-Law-with-Good-Practices-544450>. See also the research project "Public Debt is Public", Institute of International Economic Law, Georgetown University, <https://publicdebtispublic.mdi.georgetown.edu/>

Fund's institutional anchorage, since, in the current context of state fragility, this anchorage is key to reinforcing the principle of transparency, in accordance with the constitutional principles that inform good administration<sup>27</sup>.

In addition to serving as an institutional anchor, interaction with the Fund is crucial to generate trust, including reinforcing the principle of transparency. In this way, the Fund can play an important role in strengthening the institutional capacity of the Venezuelan State to collect, process, and disseminate macroeconomic information, taking into account Venezuela's inclusion in the fragile and conflict-affected states policy<sup>28</sup>.

The principle of transparency is also reflected in the announced study on the macroeconomic framework and the analysis of public debt sustainability, which, as we saw, would be presented in June 2026. This analysis is not the debt sustainability study prepared with the Fund's support, but a private study within the framework of the services contracted under GL 58. But even from this perspective, this study is part of the administrative procedure for the renegotiation of the public debt, which is governed by the principle of transparency, in accordance with Articles 141, 311, and 312 of the Constitution, in accordance with Article 2 of *the Organic Law on the Financial Administration of the Public Sector*.

## CONCLUSIONS

The announcement on May 13, 2026, of the start of the process to renegotiate the external public debt is not the first such announcement, since the default on that debt began in November 2017. But this announcement is issued under different institutional conditions, due to support from the United States Government through GL 58. Given that license, it can be concluded that negotiations with creditors have not yet begun. Rather, the

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<sup>27</sup> The financial administration in charge of the renegotiation of the public debt is framed in Article 141 of the Constitution, which is ruled by the standards of good administration, that is, the general principles of administrative law that guarantee that administrative activity is oriented to the service of people, from the centrality of human dignity. One of these standards is, precisely, transparency. See Rodríguez-Arana Muñoz, Jaime and Hernández G., José Ignacio (coords.), *Estudios sobre la Buena Administración en Iberoamérica*, Editorial Jurídica Venezolana, Caracas, 2014.

<sup>28</sup> See the list in <https://www.imf.org/-/media/files/topics/fragile-conflict-affected-states/imf-fcs-list-fy26-11jul2025.pdf>. On the legal implications of this program, see my paper Hernández G., José Ignacio, "Venezuela and the FCS Program at the IMF" (June 3, 2024), SSRN: <https://ssrn.com/abstract=4852140> or <http://dx.doi.org/10.2139/ssrn.4852140>

official statement refers to the preliminary or preparatory steps, considered step zero in the debt renegotiation process.

Even these preliminary steps must be guided by the general principles that, within the framework of the Constitution and administrative law, govern the financial administration. In particular, the principle of transparency requires publicity and the disclosure of all the information generated in this preliminary stage, including the sustainability study announced. To this end, the International Monetary Fund's institutional anchorage reinforces the proper application of these principles.

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