CENTER FOR GLOBAL DEVELOPMENT

Latin American Committee on Macroeconomic and Financial Issues

NOVEMBER 2026

Venezuela: A Roadmap to Recovery

Latin American Committee on Macroeconomic and Financial Issues Statement No. 48

I. Introduction and scope

On January 3, 2026, the US government extracted Nicolás Maduro from Venezuela, ending an almost three-decade-long dictatorship. Initial expectations about a rapid improvement in the future of Venezuela ran high, since the US intervention was perceived by many as one of the few alternatives left to end the Chavista regime. But the surprises kept coming: the US administration retained most of the existing government structure under the de facto presidency of Delcy Rodriguez and has not yet announced a transition path toward a legitimate, democratically elected government.

Ten months later, a critical question is whether the situation has materially improved for Venezuelans. It is very hard to argue that there has been significant progress from a social and economic perspective. Instead, and partly because of the recent earthquakes, living conditions appear to have deteriorated, not least because of chronic shortages of electricity and potable water. Opinion polls show a significant drop in confidence, not only in the interim government, but also in the role of the US in Venezuela.

Before Chavismo, Venezuela was a rich country with a strong democratic tradition. The economy collapsed during the rule of Chávez and then Maduro. A few indicators suffice to describe the depth of Venezuela's tragedy. GDP dropped 80 percent between 2013 and 2021. Income per capita (in constant 2015 US dollars) fell by 67 percent, from $4,600 in 2013, when the commodity boom was coming to an end and Maduro gained power, to $1,519 in 2025.

Public debt was defaulted on in 2017 and contracts necessary for oil production were repudiated. Oil output, in the hands of state-owned *Petróleos de Venezuela* (PDVSA), dropped to around 1 million barrels per day (bpd), in sharp contrast to 3.2 million bpd before the Chávez regime. Critical infrastructure—electricity and water—deteriorated sharply, worsening living conditions and dramatically increasing poverty. Lack of security and the rise of drug trafficking, often associated with the regime, became rampant. Consumer prices spiraled into hyperinflation while the financial system shrank dramatically, with credit virtually disappearing.

Under Chávez and then Maduro, politics also deteriorated quickly and on a sustained basis. Returning to democracy came to seem increasingly difficult under the tight grip of a dictatorial regime supported by Cuba, Iran, China, and Russia. Almost a quarter of the population—including many highly skilled people—emigrated in search of a better life, and in many cases to escape political persecution.

In the last ten months, the encounter with reality has been harsh. The investment boom announced by the US administration has not materialized. The partial increase in oil production has only reflected the lifting of some US sanctions. Oil production remains at less than half of what it was at the start of Chavismo—just 1.1 million bpd today, expected to reach only 1.5 million bpd in the coming years.

Macroeconomic indicators remain very weak. Inflation is expected to reach around 400 percent by the end of 2026, while the total banking loan portfolio is below 4 percent of GDP. The fiscal deficit remains around 6 percent of GDP, and both sovereign and PDVSA external debts remain in default.

Venezuelans continue to lack reliable access to basic services such as electricity and water. The sharp reduction in public spending under hyperinflation has severely weakened the government's capacity to provide education and health services, and that capacity has yet to show signs of recovery.

To make matters dramatically worse, the recent earthquakes have devastated some regions—particularly La Guaira, where public housing suffered severe collapses—adding an estimated reconstruction cost equivalent to 6–7 percent of GDP.

In this statement, **the Committee focuses, first, on the reasons why an economic recovery has failed to materialize thus far and, second, makes recommendations on how Venezuela can begin to recover from the present situation. In doing so, this statement identifies a set of critical priorities and defines a roadmap so that one day the country's tremendous potential might be reached.**

II. Why is the current strategy not working?

The current strategy followed by the US administration, together with the interim administration of Delcy Rodríguez, has not succeeded in boosting investment into Venezuela. This failure reflects the fact that the minimum prerequisites for investment are not in place.

First, major investments by prestigious companies are needed in extractive sectors—i.e., oil and mining—where Venezuela has major comparative advantages. But for those investments to materialize, an adequate contractual and institutional environment is essential. Today, the lack of legitimacy of the Venezuelan administration prevents contracts from having the required credibility, let alone legal and constitutional backing.

Second, with no established rule of law, the current strategy of signing *Contratos de Participación Productiva* (CPP) contracts to privatize the financing and operation of oil fields—formerly monopolized by PDVSA—has so far failed to attract sizeable investment by major international companies.[1] The contracts that Venezuelan operators have signed are not only vulnerable due to institutional fragility, but are also questionable due to their opacity and the lack of transparent bidding processes.

Third, this difficult situation is made worse by the state of default of the government and PDVSA debt, as well as by the presence of large arrears and unresolved legal claims of the international oil industry, following the widespread asset expropriations carried out by the Chávez and Maduro governments. The lack of clear rules, the presence of an illegitimate government, the external debt in default, and many unresolved legal claims have so far impeded the arrival of fresh capital in the oil and mining sectors.

Fourth, critical infrastructure—especially in electricity, water, and modern ports and roads—is lacking, further constraining investment and recovery.

Fifth, there is a shortage of expertise in public policy design and implementation, which a meaningful recovery requires. The lack of capacity and skills in the Venezuelan civil service is directly linked to mismanagement and vast emigration during Chavismo.

The shortage of capacity in the civil service also translates into the absence of a statistical basis that is essential for an adequate macroeconomic policy framework. The last IMF Article IV consultation in Venezuela was completed in September 2004, which further highlights the breakdown in continuity in reliable macroeconomic data analysis and policy monitoring. **The Committee recognizes that the role of multilaterals in the provision of technical assistance is critical and welcomes the decision for the IMF and the Inter-American Development Bank (IDB) to open offices in Caracas and provide technical assistance. However, the benefits may be limited if the local counterparts in the public sector lack reform will, technical skills, and political legitimacy.**

III. A proposed roadmap to Venezuela's recovery

A calendar for democratic elections and transition priorities

Venezuela's complex predicament requires a careful strategy and a preannounced transition path on both the political and economic fronts, giving special consideration to the sequencing of actions and reforms needed to maximize the probability of success. Absent that, the downside risks are daunting.

1 Signed under the 2026 Ley Orgánica de Hidrocarburos, these contracts remain highly vulnerable because the law fails to establish a stable and clear framework for contractual rights.

As a result, **the Committee believes that restoring government legitimacy and rebuilding institutions is the most urgent priority in Venezuela and remains a prerequisite for attracting investment and for implementing a sustainable development strategy. A credible calendar leading to democratic elections should be announced soon, to align the incentives and coordinate the actions of the various actors in ways that are functional to the process of establishing a legitimate government. The Committee sees the return of María Corina Machado to Venezuela as a welcome development in this process.**

While the announcement of an electoral calendar is essential, additional measures are needed to move forward toward democratic elections. These include releasing all remaining political prisoners, allowing the return of political leaders and the reorganization of political parties, reconstructing the voter registration list to enable exiles to register, reinstating freedom of the press, lifting existing restrictions on nongovernmental organizations, and dismantling the "*colectivos chavistas*"—armed civilian groups—and all security (legal and paralegal) forces engaged in repression.[2]

A particular challenge for the transition toward political legitimacy is to dislodge the corrupt and abusive power structure now in place, which links the de-facto government with the repressive security apparatus and the deeply entrenched influence of drug-related organized crime.

Although some important steps in the right direction have recently been taken, **the Committee believes that the reorganization of the Tribunal Supremo and the Consejo Nacional Electoral needs to be given urgent priority in the transition.** Early involvement of international observers such as the Organization of American States (OAS) and the European Union (EU) is strongly recommended.

These urgent measures on the political front will go a long way toward restoring political legitimacy, also helping alleviate the skills deficit in the private and public sectors by allowing the return of the Venezuelan diaspora. Historical experience shows that diasporas can play powerful roles in institution-building and in promoting economic growth.

A critical problem with the current state of the Venezuelan economy is the default of the sovereign and PDVSA debt, as well as the accumulation of arrears with international private suppliers. Both undermine the investment climate and create uncertainty. Because of lack of data, we do not know the precise amount of defaulted debt. Conservative estimates place it between $170 and $190 billion. Centerview Partners—in their capacity as government advisors permitted under the Office of Foreign Assets Control OFAC's GL58—have reportedly produced an estimate of $240 billion, but so far with little detail on its composition and origin.

Therefore, **the Committee believes that a process of debt reconciliation should be actively pursued during the transition to democratic elections and prior to beginning the process of debt restructuring. The reconciliation to establish the correct amount and composition of Venezuela's**

2 See Juan Ignacio Hernández, "10 pasos para crear una "república duradera."

debt should involve internationally reputed auditing firms as well as the participation and supervision of the IMF.

In this context, **the Committee believes that reconstructing capacities at the Central Bank of Venezuela and at the Office of Public Credit at the Economy Ministry should be given high priority in the technical assistance programs currently being put in place by the IMF.**

In the transition, arrears with the IDB and the Development Bank of Latin America (CAF) should also be resolved. These obligations are excluded from internationally recommended debt restructuring frameworks, such as the Enhanced Common Framework discussed at the most recent G20 meetings.

The Committee urges stakeholders to adopt a calendar that is not too long and, ideally, does not exceed one year. The Committee believes that the US administration has an essential role to play in this process, stabilizing and supporting the diverse steps that are required in the political, economic, and security spheres. The Committee recognizes that, while short of announcing a specific calendar, Secretary Rubio's October 2026 statement is encouraging and consistent with our proposed roadmap.[3]

Agenda and priorities for a newly elected government: A stabilization plan

Once an elected and legitimate government is in place, and policy decisions are transferred from the US administration to the newly elected authorities, a macroeconomic stabilization program will need to be implemented. Three major areas will have to be part of the stabilization plan: 1) external debt restructuring; 2) fiscal reform; and 3) monetary and financial policy redesign. All these areas present significant challenges.

Multilaterals—particularly the IMF—must play a central role in capacity building and policy advice. The rest of this statement examines the key issues associated with macroeconomic and financial stabilization, which is crucial to set the conditions for an initial recovery of economic activity and, then, to pursue the admittedly harder challenges of structural reform and economic reconstruction. This statement, however, does not cover issues associated with economic reconstruction and structural reform.

Debt restructuring

As noted, the reconciliation and determination of the size and composition of the defaulted public and PDVSA debt should be completed by the end of the political transition period. That would enable Venezuela to put together a suitable debt-restructuring proposal, which must address several complexities that are likely to conspire against a rapid agreement with creditors.

3 Secretary of State Marco Rubio and 2015 Venezuelan National Assembly President Dinorah Figuera Before Their Meeting Remarks, October 9, 2026. State.gov.

Venezuela's debt originated mainly under the Chávez and Maduro regimes, and the current default dates to 2017. This implies that there is a significant amount of past due interest (PDI). Independently of the total size of the debt, to be determined by the reconciliation exercise, the composition of the external debt presents unique challenges due to its heterogeneous components, since it includes: 1) international bonds issued by the sovereign and by PDVSA; 2) debt to China and Russia; 3) unpaid rulings against Venezuela from litigations and arbitrations; 4) commercial debt arrears; and 5) arrears with the IDB, CAF, and Paris Club.

An especially large and contentious category of debt is the international bonded debt of the sovereign and PDVSA which, including PDI, represents about 60 percent of Venezuela's external debt and is currently subject to intense scrutiny by bondholders and international investors. This category is composed of 24 classes of bonds—15 issued by the Republic and 9 issued by PDVSA—all under New York law. However, of these, only 12 contain first-generation *collective action clauses* (CACs)—requiring 75 percent agreement among creditors. The rest do not contain CACs, and their restructuring requires 100 percent agreement by creditors. No PDVSA bonds have CACs.

The PDVSA 2020 bond contract is collateralized by 50.1 percent of the shares of Citgo Petroleum Corporation (Citgo)—currently a profitable company operating in the US. Several creditors currently have secured attachment rulings on PDV Holding—the owner of Citgo Holding—and the District Court of Delaware has ordered the sale of shares of PDV Holding to satisfy creditor demands. The action, under appeal, has so far been blocked by OFAC.

PDVSA is currently signing CPP agreements with private operators, a strategy that is effectively diluting part of PDVSA's assets. The validity of these agreements may be brought into question by creditors, especially as these contracts are being signed by a government that lacks legitimacy.

PDVSA is the debtor of record to China, under contracts that contain the obligation to provide 230,000 bpd of oil as repayment. However, there are no reliable data yet to determine what share of oil exports to China has gone to satisfy this repayment requirement.

By contrast, commercial debt and arrears to the IDB and CAF can and should be renegotiated and resolved during the transition and separately from the restructuring of the rest of the debt. That is necessary to rekindle access to both vital trade finance and the lending windows of the IDB and CAF.

Because of the above complexities, **the Committee recommends that before starting a formal process of debt restructuring, the newly elected government complete an Article IV consultation with the IMF, and the IMF produce a *debt sustainability analysis* (DSA) in connection with the formulation of a stabilization plan. Moreover, the Committee recommends that Citgo be maintained as a Venezuelan asset or possibly sold outside the Delaware judicial proceedings to maximize its market value. It would therefore be inadvisable and imprudent for Venezuela to yield to current pressures to carry out the debt restructuring ahead of, or in isolation from, the formulation of a stabilization plan, and without the active participation of the IMF.**

Fiscal policy

The current fiscal situation of Venezuela is dramatic. While there is a serious lack of statistical data to ascertain the true size of the fiscal deficit, it is estimated to be around 6–7 percent of GDP. What is unique about Venezuela is that this considerable deficit does not result from excess government spending. On the contrary, the ratio of expenditure to GDP has dropped significantly under the effects of hyperinflation. The government currently lacks the capacity to provide essential services to the population, such as health, education, electricity, and water. The lack of investment in water and electricity is not only affecting standards of living but is acting as a major constraint on the growth of production in both oil and mining.

Hence, there is an obvious need for the government to increase spending in education, health, basic services (particularly water and electricity), and physical infrastructure. And while there is likely room to reorient fiscal spending toward areas where social returns are high, the main fiscal effort must be centered on increasing revenues and reducing unnecessary expenditures. Much of the additional revenue can come from the taxation of extractive sectors. In addition, part of the low revenue collection problem is caused by the loss of skills in government as well as the use of the tax administration office more to intimidate opponents than to raise the revenue needed to finance public goods and services.

The Committee recommends that a fiscal plan, elaborated under an IMF program, be directed at increasing government revenues and reducing unproductive expenditures, with the objective of eliminating the fiscal deficit, increasing investment in health and education, and reconstructing basic infrastructure. The formulation of such a fiscal plan is also an essential component of the DSA mentioned above.

Monetary and financial sector policy

Without access to international credit, Venezuela is still suffering from very high inflation. This largely reflects money-printing to finance the budget deficit, given the lack of access to debt markets. A top priority for the new government will therefore be the reduction of inflation under a stabilization program that fosters fiscal prudence and the restoration of access to international debt markets.

Moreover, the size of the financial system has shrunk under hyperinflation, with bank credit to the private sector representing a meager 2–3 percent of GDP today. The main services of the banking system have been reduced principally to sight deposits and payment facilitation. Of course, the virtual disappearance of credit is a major impediment to economic activity.

The local currency has lost all credibility. It is therefore not surprising that de facto dollarization is widespread. The dollar is used not just as a store of value, but also as a means of exchange in the markets for goods and services, and as a unit of account. De facto dollarization is so widespread that formal dollarization is being proposed by some actors as the desired remedy.

The Committee believes that it is still too early to recommend a specific monetary framework. Instead, the choice of an appropriate framework should be evaluated once inflation has been brought down by fiscal adjustment and the elimination, or substantial reduction, of monetary financing of fiscal deficits. In principle, since Venezuela is subject to real shocks that tend to be asymmetric to those affecting the US, the adoption of the US dollar as national currency would not seem to be optimal. A critical aspect of the inflation stabilization process is building skills at the Venezuelan central bank and maintaining commitment to its institutional independence.

IV. Final reflections

The political and economic situation of Venezuela remains extremely challenging. Restoring legitimacy, stability, and growth will require a careful sequencing of policies. The stakes are high. Continuing along the current path entails significant risks. **The Committee believes that, without a legitimate government in place, the current lack of transparency in the contractual arrangements and competitive bidding for the allocation of CPPs risks creating a system characterized by crony capitalism, rent-seeking, and increased corruption. That could sharply increase fractures and polarization in the social sphere.**

By contrast, a well-designed strategy, addressing both the political and the economic challenges, would allow Venezuela to take advantage of its enormous natural-resource potential and its strong tradition of democratic institutions prior to Chavismo. **The Committee believes that, with the right policies and incentives in place, political legitimacy and economic recovery will generate substantial GDP growth and significant improvements in living standards for the Venezuelan people.**

The Latin American Committee on Macroeconomic and Financial Issues (CLAAF) gratefully acknowledges financial support from the Center for Global Development and the Fondo Latinoamericano de Reservas (FLAR) for funding its activities during 2026. The Committee thanks Kate Barnes for her support in the production of this statement. The Committee is fully independent and autonomous in drafting its statements.

This statement was jointly produced by:

Augusto De La Torre, former Chief Economist for Latin America and the Caribbean, World Bank; former Governor, Central Bank of Ecuador.

Pablo Guidotti, Partner, Tenac Asset Management, LLC; Former Professor of the Government School, University of Torcuato di Tella; former Vice Minister of Economy, Argentina.

Enrique Mendoza, William P. Carey Professor of Economics, University of Pennsylvania.

Pablo Ottonello, Professor of Economics, Brown University.

Ernesto Talvi, Senior Fellow, Real Instituto Elcano, Madrid; former Executive Director, CERES; former Minister of Foreign Relations, Uruguay.

Liliana Rojas-Suarez, President, CLAAF; Senior Fellow and Director of the Latin American Initiative, Center for Global Development; former Chief Economist for Latin America, Deutsche Bank.

Andrés Velasco, Professor of Public Policy, London School of Economics, UK; former Finance Minister, Chile.

This work is made available under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License.