

\$750,000,000
JUBILEE ISSUE DOLLAR BONDS (FIXED-RATE)
STATE OF ISRAEL

The following Bonds are now being offered in the aggregate principal amount of \$750,000,000:

Book-Entry, Interest-Bearing Dollar Bonds (the "Bonds") to be issued in series. Each Series A Bond will mature, and the full face value of a Bond will be payable, five (5) years from its Issue Date. Each Series B Bond will mature, and the full face value of a Bond will be payable, ten (10) years from its Issue Date. The Issue Date is the last day of the Sales Period in which the subscription for such Bond is received and accepted by the Fiscal Agent. Interest shall be payable semi-annually at a fixed per annum interest rate which shall be determined for periods commencing May 1, June 15, August 1, September 15, November 1, December 15, February 1 and March 15 in each year (a "Sales Period") by the State. Such rate shall be determined for the Bonds maturing five years from Issue Date and ten years from Issue Date. Ten days prior to the commencement of each Sales Period, the State will advise the Development Corporation for Israel or any successor underwriter of the Bonds (the "Financial Corporation") of the interest rates for each series of Bonds to be sold during such period and such interest rates will be set forth on a sticker affixed to the cover page of this Prospectus. To ensure purchase of a Bond at the interest rate fixed for any given Sales Period, a purchaser must deliver to the Financial Corporation the full purchase price for the Bonds and all required subscription documents, in acceptable form on or prior to the day set forth on a sticker affixed to the cover page of this Prospectus.

Since the Bonds are being issued in Book-Entry form, registered owners will not be issued a certificate to evidence the Bond unless specifically requested at the time of purchase.

Interest on a Bond accrues from the first day of the month following the month in which the subscription is received and accepted by the Fiscal Agent, except that if such subscription is received and accepted before the fifteenth day of the month, the first payment of interest on such Bond accrues from the fifteenth day of the month in which such subscription is received and accepted. While a Bond is outstanding, interest will be payable semi-annually on May 1 and November 1 and upon maturity. The Bonds will be offered at par upon original subscription in a minimum denomination of \$25,000, and additional units of \$5,000, or integral multiples of \$5,000. However, the Bonds may be issued in denominations of less than \$25,000 only to subscribers who have purchased Bonds in the amount of at least \$25,000 in a single purchase during the 12-month period immediately preceding subscription; provided that the Bonds in denominations of less than \$25,000 are registered in the same name as those Bonds which satisfy the minimum purchase requirement. This offering may have a special appeal to persons having an interest in the State of Israel rather than the general public. The State of Israel has an issue of Bonds outstanding which are marketable by their terms and which may, on any given day, provide a greater yield to maturity than the Bonds being offered hereby.

THE BONDS ARE NON-TRANSFERABLE AND NON-ASSIGNABLE, EXCEPT IN CERTAIN SPECIAL INSTANCES. SEE "LIMITED TRANSFERABILITY."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | Price to Public | Underwriting Commission* | Proceeds to Government* |
|-----------------|-----------------|--------------------------|-------------------------|
| Per Unit | 100% | 6%* | 94%* |
| Aggregate Total | \$750,000,000 | \$45,000,000 | \$705,000,000 |

* The Bonds are being offered on a best-efforts basis, and the proceeds will depend upon the total number of Bonds sold, the cost of flotation, and the final determination of the underwriting commission set at a maximum of 6%. See "Summary of Underwriting Agreement."

DEVELOPMENT CORPORATION FOR ISRAEL
575 LEXINGTON AVENUE, NEW YORK, NEW YORK 10022-6195

\$750,000,000

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Since the Bonds are being issued in Book-Entry form, registered owners will not be issued a certificate to evidence the Bond unless specifically requested at the time of purchase.

Interest on a Bond accrues from the first day of the month following the month in which the subscription is received and accepted by the Fiscal Agent, except that if such subscription is received and accepted before the fifteenth day of the month, the first payment of interest on such Bond accrues from the fifteenth day of the month in which such subscription is received and accepted. While a Bond is outstanding, interest will be payable semi-annually on May 1 and November 1 and upon maturity. The Bonds will be offered at par upon original subscription in a minimum denomination of \$25,000, and additional units of \$5,000, or integral multiples of \$5,000. However, the Bonds may be issued in denominations of less than \$25,000 only to subscribers who have purchased Bonds in the amount of at least \$25,000 in a single purchase during the 12-month period immediately preceding subscription; provided that the Bonds in denominations of less than \$25,000 are registered in the same name as those Bonds which satisfy the minimum purchase requirement. This offering may have a special appeal to persons having an interest in the State of Israel rather than the general public. The State of Israel has an issue of Bonds outstanding which are marketable by their terms and which may, on any given day, provide a greater yield to maturity than the Bonds being offered hereby.

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575 LEXINGTON AVENUE, NEW YORK, NEW YORK 10022-6195**

THE OFFERING

Description of the Bonds. The State of Israel (the "State" or "Israel") is offering Jubilee Issue Dollar Bonds in series in the aggregate amount of \$750,000,000 (the "Bonds"), pursuant to the terms and conditions of an agreement between the State and The Chase Manhattan Bank (the "Fiscal Agent") (the "Fiscal Agency Agreement").

The Bonds are the direct, unconditional, general obligations of the State which pledges its full faith and credit for the due and punctual payment of interest on and principal of the Bonds and for the due and timely performance of all obligations of the State with respect thereto.

Each Series A Bond will mature five years from its Issue Date, and Each Series B Bond will mature ten years from its Issue Date, at which time the face amount will be payable in United States currency at the agency of the State in New York, New York, or such other agencies as may be designated by the State. Interest with respect to the first interest payment shall accrue from the first day of the month following the month in which the subscription is received and accepted by the Fiscal Agent, except that if such subscription is received and accepted before the fifteenth day of the month, the first payment of interest on such Bond accrues from the fifteenth day of the month in which such subscription is received and accepted.

Interest will be payable semi-annually on each May 1 and November 1, while the Bond is outstanding, and upon maturity. With respect to Bonds on which interest accrues from the fifteenth day of the month prior to any Interest Payment Date, the first interest payment shall be payable on the first Interest Payment Date subsequent to the Issue Date. Interest shall be payable semi-annually at a fixed per annum interest rate which shall be determined for periods commencing May 1, June 15, August 1, September 15, November 1, December 15, February 1 and March 15 in each year (a "Sales Period") by the State. Ten days prior to the commencement of each Sales Period, the State will advise the Development Corporation for Israel or any successor underwriter of the Bonds ("Financial Corporation") of the interest rate for each series of Bonds to be sold during such period, and such interest rate will be set forth on a sticker affixed to the cover page of this Prospectus. To ensure purchase of a Bond at the interest rate fixed for any given Sales Period, a purchaser must deliver to the Financial Corporation the full purchase price for the Bonds and all required subscription documents, in acceptable form on or prior to the day set forth on such sticker.

The Bonds are being issued in book entry form. Registered owners of the Bonds will not be issued a certificate evidencing the Bond, unless specifically requested at the time of purchase. The State has appointed the Fiscal Agent as securities depository for the Bonds. The Fiscal Agent will mail to the purchaser and registered owner of book entry Bonds a confirmation that the registered owner has been listed in the Bond register (the "Register") as the registered owner of such Bond along with other pertinent information. All notices relating to the Bonds will be forwarded to the registered owner of the Bond as recorded in the Register. Any transfer of the Bonds, subject to the limitations hereinafter set forth, may be effected by notifying the Fiscal Agent in writing of such transfer along with appropriate transfer documents and any fee, paid by the transferor, required by the Fiscal Agent. The Fiscal Agent will then record such transfer in the Register. All repurchases of the Bonds will only be made upon presentation of appropriate transfer documents to the Fiscal Agent. Upon maturity of the Bonds or a redemption of the Bonds, the Fiscal Agent will automatically pay the principal amount of each Bond to the registered owner of each Bond by mailing a check to the last address of such registered owner as listed in the Register. When a Bond certificate has been issued, it will be necessary to present the Bond certificate in order to effect a transfer, repurchase, or redemption at maturity. The cost of replacing a Bond certificate which is lost, stolen, or destroyed after receipt shall be borne by the registered owner.

Limited Transferability. The Bonds are non-transferable and non-assignable except that, subject to the terms and conditions of the Fiscal Agency Agreement, the Bonds shall be transferable to the State; the Development Corporation for Israel (the "Financial Corporation"); any religious, charitable, literary, scientific or educational organization exempt from income or similar tax under the Internal Revenue Code of the United States of America (the "Code"), or under the laws of the country in which the organization is located (transfers to such tax exempt organizations may be made only by donation, not sale); the owner's spouse, children, grandchildren, siblings, parents or grandparents; or, upon the death of the owner, to the person or persons entitled thereto in accordance with the owner's testamentary disposition and/or the applicable laws of descent and distribution. In accordance with the terms and conditions of the Fiscal Agency Agreement, the State may, however, by order provide for the further transferability and assignability of the Bonds. Due to the limited transferability of the bonds and the limited circumstances under which the State will repurchase the Bonds (see "Repurchase and Redemption," below), Bondholders may not be able to readily liquidate their investment prior to maturity.

In addition to the foregoing, after three years from Issue Date, with respect to Series A Bonds, or five years from Issue Date, with respect to Series B Bonds, the original registered owner of the Bond shall be entitled to assign the Bond by way of collateral security to an Institutional Lender (as defined in the Fiscal Agency Agreement), subject to the satisfaction by the Bond owner of the informational requirements established by the State and the Fiscal Agent.

Any transfer of Bonds in accordance with the foregoing provisions shall be effected only upon payment by the Bond owner of all expenses of the State and the charges and expenses of the Fiscal Agent in connection therewith.

Repurchase and Redemption. The State will purchase Bonds at the option of the Bondholder prior to maturity only under the following circumstances (all after (i) 60 days' written notice and (ii) presentation of the necessary transfer documents): (a) upon the death of any natural person who was the original registered owner of the Bond, or, if there is more than one original registered owner of the Bond, upon the death of the last surviving registered owner; provided that the obligation of the State to purchase upon death shall cease and terminate and shall not apply when the Bond is owned by a transferee or assignee; (b) upon the death of any natural person owning the Bond through an IRA, Keogh Plan, or H.R. 10 Plan, provided that the State may suspend or terminate such obligations to purchase Bonds on death as set forth in clauses (a) and (b) of this paragraph if, in the opinion of the State, a material number of these persons shall have died as a result of war, epidemic, catastrophe of nature or other disaster; and (c) upon the termination of an Employee Benefit Plan, provided that in the case of an IRA, Keogh or H.R. 10 Plan, the Bond, or the face amount thereof, is not, within sixty days from the distribution to the individual, transferred to another IRA, Keogh or H.R. 10 Plan in a "rollover" transaction as such term is defined in Code Section 402. For purposes of this offering, "Employee Benefit Plan" shall mean any employee benefit plan as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended, or any comparable legislation then in effect at the time of determination, and any Individual Retirement Account, Keogh or H.R. 10 Plan, or any treasury, strike or other fund established or maintained by an employee organization, or, subject to approval by the Financial Corporation, any comparable plan or fund, foreign or domestic. An "Individual Retirement Account" or "IRA" is an individual retirement, tax-deferred pension plan established by an employee under Code Section 408. A "Keogh Plan" or an "H.R. 10 Plan" is a retirement plan established by a self-employed person.

