

\$10,000,000

STATE OF ISRAEL CERTIFICATES

STATE OF ISRAEL

The following non-interest bearing certificates are now being offered in the aggregate principal amount of \$10,000,000:

Registered, non-interest bearing, State of Israel Certificates offered in the principal amount of \$100 (the "Certificates"). Certificates will be dated as of the first day of the month in which a subscription is accepted by the State of Israel (the "Issue Date"). Certificates may be redeemed in Israel, at their principal amount, in Israeli currency for *bona fide* tourist expenses at any time 12 months after the Issue Date. Commencing 60 months after the Issue Date, Certificates may be redeemed in the United States for the principal amount thereof.

This offering may have a special appeal to persons with an interest in the State of Israel rather than the general public.

THE CERTIFICATES ARE NON-INTEREST BEARING, NON-TRANSFERABLE AND NON-ASSIGNABLE.

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.

	<u>Price to Public</u>	<u>Underwriting Commission*</u>	<u>Proceeds to Government</u>
Per Unit	100%	6%*	94%*
Aggregate Total	\$10,000,000	\$600,000*	\$9,400,000*

*The Certificates are being offered on a best-efforts basis, and the proceeds will depend upon the total number of Certificates sold, the cost of flotation, estimated at \$50,000, and the final determination as to the underwriting commission set at a maximum of 6%. See "Summary of Underwriting Agreement." As of March 14, 1997, \$3,764,300 of the Certificates had been sold.

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

THE OFFERING

Description of the Certificates. The State of Israel (the "State" or "Israel") is offering non-interest bearing State of Israel Certificates in the principal amount of \$100 (the "Certificates").

Repurchase and Redemption. Commencing 60 months after the Issue Date, a Certificate may be redeemed in the United States for the principal amount thereof, payable in currency of the United States, upon deposit or presentation of the payment voucher attached to the Certificate.

Prior to a date 60 months from the Issue Date, the State will not redeem Certificates in the United States, except that the State will purchase, for the principal amount thereof, any Certificate from the estate of the original holder thereof in currency of the United States, upon its surrender and submission of appropriate legal documents, at any time within two years after the death of the original owner. The right to surrender a Certificate for purchase can be exercised only by the legal representatives of the original owner of a Certificate. The State may suspend or terminate its obligations to purchase upon death if, in the opinion of the State, a material number of the holders of Certificates shall have died as a result of war, epidemic, catastrophe of nature or other disaster.

The State agrees to redeem in Israel any Certificate surrendered in Israel, in legal tender currency of the State at the then prevailing rate of exchange, at the office of the Bank of Israel within the State or at such other place within the State as the State may designate, for an amount equivalent to \$100, commencing on the first anniversary of the Issue Date, to apply the purchase price to the payment of bona fide tourist expenses, provided that such Certificates are presented by the holder thereof and such holder may not present, for such purpose, Certificates, other certificates issued by the State and State of Israel Bonds exceeding \$2,500, or such other limit as may be imposed by the Ministry of Finance, in any calendar month.

Notwithstanding the foregoing, the State may limit, restrict or prohibit the surrender of any Certificate or the utilization of its purchase price by citizens of the State or by persons residing in or ordinarily residents of the State.

Non-Transferability. Certificates will be issued to individuals only and are non-transferable and non-assignable.

AVAILABLE INFORMATION

The State of Israel, although not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), has filed an Annual Report on Form 18-K with the Securities and Exchange Commission (the "Commission") on a voluntary basis. Such Annual Report includes certain financial, statistical and other information concerning the State. The State may also include exhibits to its Annual Report on Form 18-K and file amendments on Form 18-K/A thereto, for the purpose of filing with the Commission information that has not been included in the registration statement to which this Prospectus and any related Prospectus Supplement relate, which information would thereby be incorporated by reference into such registration statement. Such Annual Report, including such exhibits and amendments thereto, can be inspected and copied at the public reference facilities maintained by the Commission at: Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such reports may be obtained at prescribed rates from the Public Reference Section of the Commission at its Washington address.

INCORPORATION OF DOCUMENTS BY REFERENCE

The Annual Report on Form 18-K of the State of Israel for the most recent fiscal year and all amendments on Form 18-K/A thereto filed on or prior to the date hereof, are incorporated by reference in this Prospectus as of their respective dates.

All reports and amendments thereto filed with the Commission by the State pursuant to Sections 13(a) and 13(c) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be part hereof from the date of filing such documents. Any statement contained in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statements. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any person receiving a copy of this Prospectus may obtain, without charge, upon written or oral request, a copy of any of the documents incorporated by reference herein. Written requests for such documents should be directed to Development Corporation for Israel, 575 Lexington Avenue, New York, New York 10022-6195, Attention: National Field Department. Telephone requests may be directed to Development Corporation For Israel, National Field Department at (212) 644-2663.

USE OF PROCEEDS

Unless otherwise indicated in a Prospectus Supplement to this Prospectus, the net proceeds to the State from the sale of Certificates will be used for general State purposes. No part of the net proceeds received from this Certificates issue is specifically allocated to any particular project, and no part of the assets or receipts of any projects is earmarked for payment of the Certificates obligations.

SUMMARY OF UNDERWRITING AGREEMENT

Development Corporation for Israel (the "Financial Corporation"), 575 Lexington Avenue, New York, New York 10022-6195, is the sole and exclusive underwriter of the Certificates in the United States under an underwriting agreement, dated as of December 15, 1994, as amended, pursuant to which it agrees to use its best efforts to sell the Certificates, and is to receive a commission at a rate to be determined from time to time by the State and the Financial Corporation, but not to exceed 6%. Commissions and concessions to any brokers or dealers assisting in the sale of the Certificates are borne by Financial Corporation. Since this offering is on a best efforts basis, there is no assurance that all Certificates will be sold. The State is to pay all charges, expenses and fees in connection with the issuance of the Certificates, the registration thereof under the Securities Act of 1933 and under state securities statutes, the preparation, printing, publication and distribution of prospectuses, newspaper prospectuses, advertising, literature, collection of subscriptions, public presentations and official visits of State representatives, all taxes and stamps required in connection with the sale of the Certificates.

LEGALITY OF THE ISSUE

The legality of the issue has been passed upon, on behalf of the State, by the Legal Advisor to the Ministry of Finance of the State of Israel, Jerusalem, Israel, and, on behalf of the Financial Corporation, by Baer Marks &

Upham LLP, New York, New York. On all questions relating to the laws of Israel, said firm has relied upon the opinion of the Legal Advisor of the Ministry of Finance of the State of Israel.

DEBT RECORD

The State of Israel has never defaulted on the payment of principal or interest on any of its internal or external indebtedness.

JURISDICTION; CONSENT TO SERVICE AND ENFORCEABILITY

The State of Israel is a foreign sovereign government. Consequently, it may be difficult for investors to realize upon judgements of courts in the United States against Israel, Israel will irrevocably agree not to assert any defense based on immunity, including foreign sovereign immunity, from jurisdictions to which it might otherwise be entitled in any action arising out of or based on the Certificates which may be instituted by the holder of any Certificates in any state or federal court in the City of New York or in any competent court in Israel. Israel has appointed the Chief Fiscal Officer—Western Hemisphere of the Ministry of Finance of the State of Israel, 800 Second Avenue, New York, New York 10017, as its authorized agent upon whom process may be served in any action arising out of or based upon the Certificates which may be instituted in any state or federal court in the City of New York by the holder of any Certificates. Such appointment shall be irrevocable until all amounts in respect of the principal, premium, if any, and interest, if any, due or to become due on or in respect of the Certificates have been paid by Israel, except that, if for any reason, the authorized agent ceases to be able to act as such authorized agent or no longer has an address in New York, Israel will appoint another person in New York as its authorized agent. The Chief Fiscal Officer—Western Hemisphere is not the agent for service for actions under the United States federal securities laws or state securities laws and Israel's waiver of immunity does not extend to such actions. Because Israel has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or state securities laws, it will not be possible to obtain a United States judgment against Israel based on such laws unless a court were to determine that Israel is not entitled under the Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such actions. Under the laws of Israel, assets of Israel are immune from any form of execution.