

Annual Report for 2013

Stockholm International Peace Research Institute
Organization no. 802006-2660

(Unofficial English version)

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The Foundation

Stockholm International Peace Research Institute (SIPRI) was established on 1 July 1966.

According to paragraph 2 of the Foundation's statutes:

'In accordance with the guidelines for the allocation of funds which the Swedish Parliament has approved in pursuance to Government Bills 1966:76 and 1979/80:106, the purpose of the Foundation is to conduct scientific research on questions of conflict and co-operation of importance for international peace and security, with the aim of contributing to an understanding of the conditions for peaceful solutions of international conflicts and for a stable peace.'

SIPRI Governing Board in 2013

Chairman

Göran Lennmarker

Members

Professor Dewi Fortuna Anwar, *Indonesia*

Dr Vladimir Baranovsky, *Russia*

Ambassador Lakhdar Brahimi, *Algeria*

Jayantha Dhanapala, *Sri Lanka*

Susan Eisenhower, *United States* (until 7 May 2013)

Ambassador Wolfgang Ischinger, *Germany*

Professor Mary Kaldor, *United Kingdom*

The Director

Governing Board meeting, 2013

The 2013 Governing Board meeting was held on 14–15 May 2013 in Solna.



SIPRI Management Team in 2013

Tillman Brück, Director

Jakob Hallgren, Deputy Director

Auditors

Appointed by the Swedish Government for the period 2008–13:

Margareta Ousbäck, Director, Ministry of Foreign Affairs, succeeded

By Daniel Nilsson, Desk Officer, Ministry of Foreign Affairs.

Ove Olsson, Certified Public Accountant, BDO Stockholm AB.



Director's Annual Report 2013

Overview

The vision of SIPRI is a world in which sources of insecurity are identified and understood, conflicts are prevented or resolved, and peace is sustained. Our mission is to undertake research and activities on security, conflict and peace; to provide policy analysis and recommendations; to facilitate dialogue and build capacities; to promote transparency and accountability; and to deliver authoritative information to global audiences.

In 2013 SIPRI continued to hold its position as one of the world's leading research institutes focusing on security, conflict and peace. This year was my first as Director of the Institute and, as promised, we started the year with a bold attempt to assess where the Institute stood and where we are heading, in the form of a Strategic Review. In this collaborative effort, we updated and developed our vision, mission and work plan to ensure that we will continue to achieve quality and relevance in our research and outreach activities, thereby contributing to the strengthening of peace and security in our world. The vision, mission and work plan were approved by the Governing Board at its meeting in May 2013. While the Strategic Review was a necessary and mainly inward-looking process, we also continued to engage with our many external partners.

In 2013 the dedicated research staff of the Institute continued to deliver high-quality analyses, publications, outreach activities and dialogues. We also continued to provide transparent and reliable information through our world-class databases, which often are the foundation of our analysis and expert commentary. A further important reason for the success of the Institute is the excellent work of our support staff across the Administration, Library, IT, Communications, and Editorial and Publications departments. The dissemination of our research continues to expand, through the many events held at SIPRI and at partner organizations, our website, our ever-increasing social media presence, and our strong presence in traditional broadcast and print media.

Research

In 2013 SIPRI continued to produce balanced and accurate research in the traditional areas in which it is well-known, including international security, armed conflict, conflict management, peace operations, military expenditure, arms production, international arms transfers, dual-use and arms trade controls, non-proliferation, arms control, and disarmament.

The major addition to our research agenda during 2013 was a new focus on the topic of security and development. We were able to secure funding from the Swedish Ministry for Foreign Affairs (MFA) for this new research stream. In fact, I was recruited to build up just such a research agenda. This grant, coupled with other projects on the theme, allows SIPRI to build a new pillar of work complementing and strengthening its traditional research areas. The idea is to build on SIPRI's long-standing reputation in the security field, and to broaden the research focus to include issues of security and development, examining the links between socio-economic development, conflict, peace and security. With Sweden's strong global reputation in the field of development, SIPRI is well placed to pursue the analysis of security and development. We are in fact the only Swedish institute and one of a few research institutes in the world doing so.

This expansion of SIPRI's research agenda is a reflection of the fact that in a globalized world, security and development are increasingly connected and interdependent. Hence, SIPRI's research agenda must adapt in order to remain relevant. As part of these ongoing research activities, in 2014 SIPRI will host the inaugural Stockholm Forum on Security and Development—an annual, high-level global multi-stakeholder event with financial support from the Swedish MFA.

Another major research project on security and development that was launched in 2013 was a two-year, Sida-sponsored project on peacebuilding in Mali, which we are now implementing in partnership with Conascipal, a Malian civil society organization.

Moreover, a new and interesting set of projects was initiated on the micro-foundations of development, fragility and security in Kyrgyzstan. The aim of these projects is to understand the drivers of social cohesion and peacebuilding at the local and household level in the context of inter-ethnic tensions, including how policy interventions can help build development for security and security for development. The data that SIPRI collects in Kyrgyzstan will help us conduct analyses relevant to grassroots peacebuilding projects in other fragile and conflict-affected countries, which is an important concern as we approach 2015.

In 2013 we made important appointments in two SIPRI research programmes. First, as Dr Ian Anthony moved sideways to lead a new programme on European security from 2014 onwards, we hired Tariq Rauf, formerly of the International Atomic Energy Agency, to lead the SIPRI Programme on Arms Control and Non-proliferation. For the newly established SIPRI Programme on the Macroeconomics of Security we hired Dr Gary Milante, formerly of the World Bank. We are honoured and delighted to have them both at SIPRI.

Publications

SIPRI published 28 titles in 2013, including 10 on behalf of the European Union Non-Proliferation Consortium. These ranged from eight-page fact sheets on global military expenditure and international arms transfers, via longer papers on Afghanistan after the withdrawal of the North Atlantic Treaty Organization (NATO), India's approach to peacekeeping, the future of the Chemical Weapons Convention and China's policy on North Korea, to the 574-page *SIPRI Yearbook 2013*.

Full translations of the SIPRI Yearbook were also published in Arabic, Chinese, Russian and Ukrainian, and summaries in Catalan, Dutch, French, German, Italian, Spanish, Swedish and, for the first time, Mongolian, representing the global appeal of the Yearbook, and the core work of SIPRI.

Media and outreach

Despite the severe financial crisis facing SIPRI in 2013, the Institute managed to maintain its established level of outreach and communication activities with a continuation of expert comments, targeted mailings, and campaigns, especially with further emphasis and development of the Institute's social media presence. At the end of 2013, SIPRI counted more than 7000 followers on Twitter and more than 5000 on Facebook, a threefold increase since 2012. A special emphasis was placed on increasing our overseas presence for the SIPRI Yearbook data launches. For example, the SIPRI data on international arms transfers were simultaneously presented in New York, Delhi and Stockholm.

Key media launches in 2013 included:

- the launch of the SIPRI Top 100 arms-producing companies, which reached more than 1400 media outlets;
- the launch of the SIPRI arms transfers data in March (2800+ outlets);
- the launch of SIPRI's military expenditure data in April (2000+ outlets); and
- the launch of the SIPRI Yearbook in June (1500+ outlets).

During 2013 SIPRI was quoted in more than 20 000 media outlets in more than 130 countries, and the estimated total readership of SIPRI's media outlets was estimated to be more than 100 million people.

Key public SIPRI events in Stockholm in 2013 included an expert seminar on the Hu Jintao decade in China's foreign and security policy; the 'Missing Peace Symposium' in Washington, DC; a public discussion on the effectiveness of targeted sanctions 10 years after the Stockholm Process; the 17th annual International Conference on Economics and Security; a panel discussion with the Organisation for the Prohibition of Chemical Weapons (OPCW) on the international response to allegations of chemical weapon use (in cooperation with the Swedish MFA); SIPRI Lectures by Dr Paul Walker (a Right Livelihood Laureate for 2013) and the Iranian Deputy Foreign Minister, Ambassador Majid Takht Ravanchi; and an event in cooperation with the Swedish Riksdag,

the Swedish MFA and the Swedish Institute for International Affairs, UI) in celebration of the 2013 Nobel Peace Prize Laureate, the OPCW.

A more sobering experience in 2013 involved the winding down of our collaboration with SIPRI North America, which had been created in previous years with a view to providing a platform for fundraising and outreach for SIPRI in North America. Although SIPRI North America finally obtained charitable status, the combined effects of the fiscal consolidation in the United States and the financial crisis at SIPRI in Stockholm implied that SIPRI North America could not make a financial contribution to SIPRI in Stockholm and that SIPRI North America could not be core-funded by SIPRI. Given this financial outlook and the differences in financial expectations, the Board of SIPRI North America decided in late 2013 to close down operations with effect from mid-2014. While this was naturally a disappointing outcome of what had been a hopeful and high-profile venture for SIPRI, we are extremely grateful for the many friends of SIPRI who gave their energy, time and money to SIPRI North America with such generosity. My particular thanks go to Ambassador Tom Siebert, Chairman of the Board, and Dr Chantal de Jonge Oudraat, Executive Director, for their dedication and hard work over the past few years.

Finance and administration

With regard to SIPRI's finances, 2013 was an extremely challenging year. A dip in fundraising connected with the double transition in the senior management of the Institute in 2012, together with rising costs (especially for the operations in North America) and some loss-making projects combined with extremely weak financial systems to create a negative result in 2013.

Based on initial investigations in early 2013, which had suggested a deficit of up to 5 million SEK for 2013, a series of swift and comprehensive restructuring measures—which included a strong fundraising effort, regrettably one redundancy in the library and the ending of several fixed-term contracts—meant that the overall result improved rapidly during the year. The final deficit of approximately 1.6 million SEK is not a good result but one that included necessary one-off restructuring costs and which is far below our worst fears.

The dynamics of the quarterly results throughout 2013, coupled with a complete overhaul of the budget system, now make us more optimistic. The new budget system allows us to provide much more clarity in terms of the financial outlook for 2014. In particular, the introduction of team-based budgeting for 2014 will significantly increase transparency and accountability across SIPRI. These are necessary instruments for an Institute significantly reliant on external grants. They are also in order for an organization advocating for transparency and accountability on the part of others.

The overall budget for 2013 almost stayed on par with earlier record levels, and totalled 52 million SEK. This means that the proportion of external grants to overall turnover of SIPRI remained at 53 per cent. Therefore, external funding income remains a stable pillar of the Institute's finances—and this is fully in line with the expectations expressed in the annual budget bill of the Swedish Parliament to broaden and diversify the SIPRI donor base.

We also undertook discussions within the Governing Board, as well as with our key donors and with other external stakeholders, to explore options to broaden our core donor base among other countries interested in our research agenda (in what could be described as an 'internationalization' strategy) and among philanthropic donors in Sweden and beyond to build an endowment for SIPRI.

Another important development at the Institute has been the realization during the painful restructuring process that the SIPRI employment regulations are in urgent need of modernization, especially concerning the status of international staff hired on fixed-term contracts. These regulations date from the 1970s and do not strike the right balance between the legitimate need for some turnover among our international staff and the need to preserve a core set of long-term tenured staff to maintain institutional memory. Having realized the need to update our policies for both existing and future staff recruited from abroad, we have now embarked on a constructive and ongoing consultation and negotiation with the respective trade unions, with the view to finding a legal and workable solution addressing the needs of staff and of the Institute.

Finally, the Institute terminated the lease for its building in 2013, leading to discussions with the landlord for a renovation of the main premises while considering options to move elsewhere in Stockholm. A decision on where to locate the Institute in the future will be made in 2014.

Governance

SIPRI continues to benefit from strong strategic leadership through its Governing Board. The interactions of the Institute with all Governing Board members have intensified in a way that has significantly strengthened the Institute's global outreach and presence. The Institute conducted a successful SIPRI delegation visit to Sri Lanka, Indonesia, Singapore and India in March 2013, which included meetings with two Governing Board members.

In May 2013 Susan Eisenhower resigned from the Governing Board for personal reasons. I would like to take this opportunity to once again pay tribute to her outstanding service and for her great support for SIPRI during her time on the Governing Board. All Governing Board members have continued to provide outstanding support to the Institute between board meetings, and I am deeply grateful for their advice, involvement and support.

Outlook

In summary, in 2013 SIPRI took the first necessary steps on an ambitious journey to reform its intellectual and administrative agenda. The Institute has realized that it must innovate, adapt and reform in order to remain relevant in a fast-changing world. The reform agenda is demanding but so is the goal to further secure SIPRI's reputation as one of the world's leading research institutes focusing on security, conflict and peace as we approach our 50th anniversary in 2016.

Professor Tilman Brück

Director

28 February 2014

Income and expenditure account

All figures are in SEK.

	Note	1 January– 31 December 2013	1 January– 31 December 2012
Net income	1	51 936 072	53 654 560
Expenditure	2	–22 099 374	–24 272 289
Staff costs		–31 585 156	–29 412 847
Depreciation		–168 796	–102 360
<i>Operating profit</i>		–1 917 254	–132 936
<i>Financial income</i>			
Financial net amount		327 891	386 205
Change in capital for the year		–1 589 363	253 269

Balance sheet

All figures are in SEK.

	Note	31 Dec. 2013	31 Dec. 2012
Assets			
<i>Tangible fixed assets</i>			
Machinery, equipment, fixtures and fittings	3	255 174	204 721
<i>Total fixed assets</i>		255 174	204 721
<i>Current assets</i>			
Prepaid expenses and accrued income		1 073 547	1 079 635
Other short-term claims		5 101	82 815
Cash at bank and in hand		20 265 188	26 377 522
<i>Total current assets</i>		21 343 836	27 539 972
Total assets		21 599 010	27 744 693
Liabilities and capital			
<i>Capital</i>			
Balance at beginning of year		6 621 391	6 368 122
Change in capital		-1 589 363	253 269
<i>Balance total capital</i>		5 032 028	6 621 391
<i>Current liabilities</i>			
Accounts payable		1 392 781	930 451
Other liabilities		855 814	4537
Unused grants		12 096 395	17 058 845
Accrued expenses and prepaid income		2 221 993	3 129 469
<i>Total current liabilities</i>		16 566 983	21 123 302
Total liabilities and capital		21 599 010	27 744 693
<i>Pledged securities and liabilities</i>			
<i>on account of outstanding guarantees</i>		<i>none</i>	<i>none</i>

Notes to financial statements

All figures are in SEK.

Principles of accounting policy

The annual account has been prepared in accordance with the Bookkeeping Act.

Claims, other assets and liabilities

Claims and liabilities in foreign currencies are valued according to the exchange rate of the day of receipt, in accordance with the Swedish Financial Accounting Standards Council (*Redovisningsrådet*) Recommendation RR8 accounting for the effects of changed exchange rates. Claims have been recorded at the amounts that are expected to come in. Other assets and liabilities have been recorded at the procurement value unless otherwise indicated.

Notes

	2013	2012
1. Net income		
Grant from Swedish Government	24 397 000	24 094 000
Grant from other funders	27 126 492	29 393 428
Royalties and sales	115 014	153 962
Other	<u>297 566</u>	<u>13 170</u>
Total	51 936 072	53 654 560
<i>Used project grants</i>		
Swedish Government agencies	6 224 047	5 553 643
Other governments	8 074 253	3 026 007
Private research foundations	76 950	1 756 901
EU and EU governments	8 449 548	12 080 067
UN and other international organizations	3 823 427	5 666 051
Other	478 267	1 310 759
Total	27 126 492	29 393 428
	<i>2011</i>	
	5 534 148	
	9 261 576	
	3 746 013	
	7 405 174	
	501 292	
	287 110	
	26 735 313	

	2013	2012
2. Expenditure		
Project expenditure from grants	12 196 039	13 703 341
Administrative expenditure	<u>9 903 335</u>	<u>10 568 948</u>
Total	22 099 374	24 272 289

Personnel information and expenditure 2013 (2012)

The average number of employees in 2012 was 51 (51) of whom 28 (27) were men and 23 (24) women.

In 2013, 15 (19) different nationalities were represented among the staff of the Institute. The number of full-time research staff was 34 (33) persons and during the year 23 interns and 8 guest researcher visited SIPRI. The total hours of staff sickness for 2013 amounted to 1 712 (1 357) hours, 1.63 per cent (1.28 per cent) of total working hours. Staff sickness as a proportion of total working hours amounted to 2.50 per cent (2.15 per cent) for women and 0.94 per cent (0.54 per cent) for men.

For research staff employed from abroad, tax-free benefits are paid according to the Local Tax Law (*inkomstskattelagen*). For tenured staff and for the Director, a fee is paid for state occupational pensions. Staff costs financed from external grants amounted to 12 221 934 SEK (14 333 434 SEK).

	2013	2012
Salaries and reimbursement to		
- the Board and Director	855 198	1 036 800
- other staff	<u>23 469 547</u>	<u>20 951 588</u>
Total	24 324 745	21 988 388
Social costs for		
- the Board and Director	115 920	199 925
- other staff	5 093 939	4 835 234
Total	5 209 859	5 035 159
Pension fees for		
- the Board and Director	153 440	108 360
- other staff	1 385 085	1 307 350
Total	1 538 525	1 415 710

3. Machinery, equipment, fixtures and fittings etc.

	2013	2012
- Opening acquisition value	307 081	0
- Acquisition for the year	235 207	307 081
- Minus acquisition of scrapped/sold equipment	23 938	0
<i>Closing acquisition value</i>	<i>518 350</i>	<i>307 081</i>
- Closing acquisition value	102 360	0
- Depreciation for the year	<u>160 820</u>	<u>102 360</u>
<i>Closing accumulated depreciation</i>	<i>263 280</i>	<i>102 360</i>
<i>Book value fixed assets</i>	<i>255 174</i>	<i>204 721</i>

Signatures

Solna, 28 February 2014



Professor Tilman Brück
Director



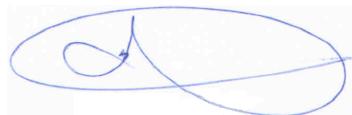
Göran Lennmarker
Chairman



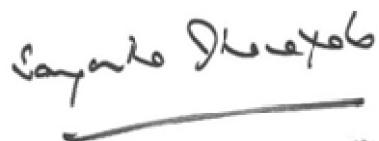
Professor Dewi Fortuna Anwar



Dr Vladimir Baranovsky



Ambassador Lakhdar Brahimi



Jayantha Dhanapala



Ambassador Wolfgang Ischinger

Professor Mary Kaldor