



Stockholm International Peace Research Institute
Organization no: 802006-2660

Annual Report for 2016

Stockholm International Peace Research Institute
Organization no. 802006-2660
(Unofficial English version)

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The mandate of 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 2016

Chairman

Ambassador Sven-Olof Petersson, *Sweden*

Members

Professor Dewi Fortuna Anwar, *Indonesia*

Dr. Vladimir Baranovsky, *Russia*

Ambassador Lakhdar Brahimi, *Algeria*

Ambassador Wolfgang Ischinger, *Germany*

Professor Mary Kaldor, *United Kingdom*

Dr. Radha Kumar, *India*

Mr. Espen Barth Eide, *Norway*

The Director

Governing Board meeting 2016

The annual Governing Board meeting was held in Solna on 16 – 17 May, 2016

Director and Deputy Director 2016

Mr. Dan Smith, *United Kingdom*, Director

Mr. Jakob Hallgren, Deputy Director, *Sweden*



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Auditors

Appointed by the Swedish Government for the period 2013 to 2017:
Ove Olsson, *Sweden*, Chartered Accountant, BDO Nordic Stockholm AB

Appointed by the Swedish Government for the period 2016 to 2017:
Anna-Karin Dahlén, *Sweden*, Senior Advisor, Sweden's Ministry for Foreign Affairs



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Director's Annual Report 2016

Overview

While 2016 was a worrying year in global affairs, it was a very special year for SIPRI. It was a privilege to serve my first full calendar year as Director when SIPRI celebrated its 50th anniversary. The anniversary provided a great opportunity to showcase the outstanding work that SIPRI does as one of the world's most prominent research centres focusing on international peace and security, conflict, armaments and disarmament.

The highlight of the anniversary year was undoubtedly SIPRI's 22 February jubilee celebration. On that memorable day, many highly distinguished guests joined us in celebrating the far-sighted decision to establish the institute in 1966. The evening was opened by Sweden's Head of State, His Majesty King Carl XVI Gustaf, who in his address stated that *'Policymakers need to base their decisions on facts from sources that can be trusted to be objective. SIPRI is such a source and this is what has made SIPRI so successful'*.

H.E. Urban Ahlin, Speaker of the Riksdag, pointedly remarked that *'SIPRI works for disarmament by arming us with knowledge'* and H.E. Margot Wallström, Foreign Minister, highlighted SIPRI's important role as a beacon of trusted facts-based knowledge. In attendance were also H.E. Peter Hultqvist, Minister of Defence, and H.E. Isabella Lövin, Minister for Development Cooperation, as well prominent members of the Riksdag, members of the diplomatic corps and other notable personalities.

Among the reasons for these generous acknowledgements and, indeed, for the institute's enduring success is the commitment to providing transparent and reliable information. SIPRI's unique and globally recognized databases are the foundation of much of our analysis and expert commentary. Another reason is the broadening scope of SIPRI's research and analysis into issues related to peace and security. A further important reason is our increasingly effective dissemination and outreach through publications and events. All of this rests on the dedicated and outstanding work of the institute's staff, today as well as throughout the years.

Research

A key development during the year was the restructuring of the institute's research into three overarching research clusters, covering Armament and Disarmament, Conflict and Peace, and Peace and Development, respectively. Apart from clarifying line management through the appointment of a Director



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of Studies to lead each of the clusters, it confirmed the broad scope of SIPRI's research today and its capacity to address the key security issues of our time, just as SIPRI did when it was founded in the 1960s.

Within the new research introduced in 2016 was work on how climate change affects conflicts and security. This body of work resulted in a landmark report, '*Climate-related security risks: towards an integrated approach*', which added to the understanding of these risks. SIPRI also invested considerable time in participating in a research consortium along with four Swedish universities and led by the Stockholm Environment Institute, preparing a successful application for a grant from the Foundation for Strategic Environmental Research (*MISTRA*). This will permit SIPRI to both broaden and deepen its research on the climate-security theme.

Another interesting example of SIPRI's research is its work on Lethal Autonomous Weapon Systems (LAWS), which continued successfully in 2016 and resulted in an overall mapping of the state of the technical development of these weapon systems. This research is an expression of the aspiration to research the emergence of new weapon technologies at SIPRI, as a key to understanding where potential new arms races might develop.

At the same time, SIPRI revitalized its programme on China and Global Security through the recruitment of a new and dynamic Programme Director. Moreover, the programme on Security and Development, rebranded as Peace and Development, continued to thrive and delivered the biggest ever Stockholm Forum on Security and Development in April 2016, with over 250 participants. It focused on the implementation of the Sustainable Development Goals for 2030 and was attended by, among others, H.E. Jan Eliasson, United Nations Deputy Secretary-General, and H.E. Filippo Grandi, UN High Commissioner for Refugees.

Finally, in September 2016 SIPRI successfully organized its first-ever 'Stockholm Security Conference', with a focus on 'Secure Cities', in collaboration with the Riksdag and the City of Stockholm and with some 180 participants from around the world. This represents a new and exciting stream of work and an important meeting platform, leveraging SIPRI's global convening power. Just as the Stockholm Forum on Security and Development, the Stockholm Security Conference is intended to be an annual high-level international meeting, focusing on pertinent issues on the peace and security agenda.



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Publications

In 2016 SIPRI published a total of 41 titles, including 7 on behalf of the European Union (EU) Non-Proliferation Consortium. Formats, issues and titles varied. Most importantly, *SIPRI Yearbook 2016* was issued, which is SIPRI's flagship publication and an enduring symbol of the institute's excellence and global appeal. It serves as the single most trusted and respected, authoritative and independent source on armaments, disarmament and international peace and security.

The SIPRI Yearbook is published through Oxford University Press (OUP) and since 2010 it has also included an online version. Full translations of *SIPRI Yearbook 2016* were also published in Chinese, Russian and Ukrainian, and summaries were issued in Catalan, Dutch, English, French, German, Italian, Spanish and Swedish.

In addition, SIPRI published '*The New Arctic Governance*' Research Report with OUP, as well as other Arctic-related work. It also issued two publications on climate-related security risks.

Media

Through its media and outreach channels, SIPRI was covered in more than 18 000 news stories (up by 2000 from 2015) in over 90 countries worldwide, with the strongest coverage in Western Europe (4915), followed by North America (4050), the Middle East (2383) and Eastern Europe (1909).

By the end of 2016, SIPRI had more than 28 000 Twitter followers (up from 16 000 in 2015) and more than 16 500 page likes on Facebook (up from 13 000 in 2015). SIPRI also launched a comprehensive remake of its website in 2016, with a stronger focus on graphics and visualization.

SIPRI issued 11 major press releases, 4 expert comments by SIPRI researchers, 19 blogs, 4 essays and 8 topical backgrounders.

Moreover, SIPRI organized four significant data launches in 2016:

- March: the international arms transfers data launch, which was covered by more than 2700 media outlets.
- April: the military expenditure data launch, which was profiled in more than 2500 media outlets.
- June: the nuclear forces data launch, which was cited in over 1200 media outlets.
- December: the early launch of the SIPRI Top 100 arms-producing and military services companies for 2015, which saw coverage in over 1300 media outlets.



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Events

In addition to the 22 February jubilee celebration and in honour of its 50th anniversary, SIPRI produced a series of short films throughout 2016, branded 'A Year of Reflection', looking at various aspects of SIPRI's research and other activities. All of these films are available on SIPRI's YouTube channel.

SIPRI also launched a special initiative to increase its visibility to Stockholm audiences through a regular seminar series held at the Stockholm Museum of the Mediterranean. The series covered the launch of my own book on the Middle East in January, the launch of a SIPRI-edited volume on Arctic governance in March, and a discussion on insecurity and the European refugee crisis in May, among other issues.

SIPRI initiated cooperation with its home municipality of Solna on two events: on Europe Day, 8 May, SIPRI Chairman Sven-Olof Petersson lectured about current challenges facing the EU; and on United Nations Day, 24 October, SIPRI Deputy Director Jakob Hallgren lectured about the underlying causes of the current situation in the Middle East and the refugee flows to Europe.

In addition, SIPRI organized a public event in May on European security and the deteriorating relations between Russia and the West, with four of its Governing Board members on the panel. This event was live-streamed, just as several others were during the year, and is accessible on SIPRI's YouTube channel.

Other key events in 2016 included:

- A lecture in June by H.E. Dr Mohammad Javad Zarif, Minister of Foreign Affairs of the Islamic Republic of Iran, on the imperative of a paradigm shift in the Persian Gulf and lessons learned from the Iran nuclear deal.
- An event in October with H.E. Hassan Wirajuda, former Foreign Minister of Indonesia, on the Permanent Court of Arbitration ruling on the South China Sea, in cooperation with the Embassy of Indonesia in Sweden.
- A panel discussion in December featuring H.E. Hekmat Karzai, the Deputy Foreign Minister of Afghanistan, on the state of the domestic and foreign dynamics shaping Afghanistan's prospects for achieving peace and stability.
- A conversation in December with Major General Mitch Mitchell, Director of the UK Development, Concepts and Doctrine Centre (DCDC), on 'The conflict horizon: today and beyond'.



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- The launch in December of SIPRI's report, 'Climate change implications for security: what options for policy?', featuring H.E. Isabella Lövin, Swedish Minister for Development Cooperation.

Finance and administration

With regards to SIPRI's finances, 2016 was not a great year if judged by the result—a deficit of some 600 000 SEK. However, that negative result is wholly due to unfortunate one-off costs related to a financial correction for earlier projects. A concerted tightening of financial routines was completed in early 2016.

On the positive side, the overall turnover for 2016 increased significantly and totalled some 62 000 000 SEK—up from 55 250 000 SEK in 2015. The main reasons for this leap are the large Sida-funded Mali project, of some 24 million SEK over the years 2016–18, and an extraordinary increase of 3 m SEK in the core grant from 25 to 28 m SEK, as well as a permanent increase of the core grant from 24 to 25 m SEK.

The generous core grant from the Riksdag, through the annual state budget, is the bedrock of the institute's finances. Without it, SIPRI would not be able to sustain its important mission. The proportion of external grants to the overall turnover of SIPRI remained at 55 per cent, which shows that external funding also remains a stable pillar of the institute's finances.

A significant development in 2016 was that SIPRI received a sizeable philanthropic donation, for the first time ever, amounting to 3 m SEK. It came from Baron Per Taube, through his company GELBA AB. This enabled SIPRI to arrange the inaugural Stockholm Security Conference on Secure Cities. We are deeply grateful for this generous donation. It is a concrete result of a systematic and continuing effort to diversify and broaden SIPRI's income base to include private donors in Sweden and abroad. This is a priority that was set by the Governing Board in 2013, showing that this type of resource mobilization requires time and sustained effort.

Governance

In 2016, SIPRI continued to benefit from strong leadership through its distinguished Governing Board. The interaction of the institute with its Governing Board members has been much appreciated during the year, and their vision and support have enabled the institute to maintain its standing in the world. Notably, all Board members actively participated in the annual Board meeting in Stockholm in May, where important decisions were made about the institute's strategy and future direction.



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In 2016, Professor Radha Kumar of India was appointed to the Board and Professor Vladimir Baranovsky of Russia was re-appointed for a second five-year term. I wish to once again extend a warm welcome to Radha and to express my appreciation to Vladimir for accepting a second term on the Governing Board. In order to strengthen the everyday management of the institute, a Senior Management Team (SMT) was created in 2016. This body, which I chair and which also includes the Deputy Director, the three Directors of Studies and the Heads of Outreach and Operations, meets weekly to assist me in decision making. Valuable input also comes from the statutory but less frequent meetings of the Research Staff Collegium (RSC) and the monthly meetings of the staff-management 'Cooperation Group'.

Outlook

In summary, 2016 was a year of publicity, restructuring and festivities for SIPRI as it celebrated its first 50 years. However, in a global atmosphere of increasing uncertainties, with ever louder and more widespread voices undermining the importance of facts and evidence in public life, the institute also relentlessly continued to serve global audiences with well-respected, unbiased and authoritative research and facts.

During the year, I was able to implement many of the components of a strategy to assure SIPRI's continued relevance and success—a strategy that was formally endorsed by the Governing Board during its May meeting. Having supported the idea of SIPRI's 50th anniversary as a 'year of reflection', I then invited the Board members—and all who take an interest in SIPRI—to contribute with their insights on where the institute should go from 2017. This was a much-appreciated endeavour and in it I have benefitted from the strong support of the Board, SIPRI's staff, and all our friends in Sweden and around the world.

In a year of celebration for SIPRI but growing concern about the direction of global affairs, it is imperative to repeat SIPRI's mission as it was phrased in 1966. The statutes of the institute stipulate that it shall 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'.



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Considering this, it is with both humility and some concern that I conclude with the remark that, while the institute is arguably both bigger and in better shape than ever, the issues we are tasked to study are probably both more complex and more worrying than ever.

Dan Smith
Director
14 February 2017



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Income and assets comparison, 2012–2016*

All figures in SEK

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|------------|------------|------------|------------|------------|
| Net income | 62 887 829 | 55 253 463 | 53 885 755 | 51 936 072 | 53 654 560 |
| Operating profit | -610 703 | 1 402 506 | -808 274 | -1 589 363 | 253 269 |
| Operation (%) | -1,0 | 2,5 | -1,5 | -3,1 | 0,5 |
| Total assets | 21 992 167 | 22 027 502 | 21 422 708 | 21 610 381 | 27 744 693 |
| Cash ratio (%) | 124,4 | 130,3 | 124,0 | 128,8 | 130,4 |

*Definition of key performance indicators, see footnotes.

Distribution of earnings

Proposal distribution of earnings

| | |
|---|----------------------|
| To the Assembly's disposal | 5 626 259 |
| Earnings | <u>-610 703</u> |
| | 5 015 556 |
| The Board proposes to be carried forward: | <u>5 015 556</u> |
| | 5 015 556 |

Regarding the association's results and financial position, refer to the following financial statements and related disclosures.

Income and expenditure account

| | Note | 2016 | 2015 |
|---|------|-----------------|------------------|
| Operating income | | | |
| Net income | 1 | 62 887 829 | 55 253 463 |
| Total of Operating income | | 62 887 829 | 55 253 463 |
| Operating expenses | | | |
| Direct external costs | 2 | -15 962 386 | -14 929 986 |
| Other external costs | 2 | -14 215 030 | -9 996 892 |
| Staff costs | 3 | -33 533 951 | -29 345 660 |
| Depreciation and amortization of tangible and intangible fixed assets | 4 | -294 895 | -101 699 |
| Other operating costs | | 0 | 0 |
| Total of Operating expenses | | -64 006 262 | -54 374 237 |
| Operating income | | -1 118 433 | 879 226 |
| Income from financial items | | | |
| Financial income | 5 | 536 637 | 526 762 |
| Financial expenses | | -28 907 | -3 482 |
| Total of Income from financial items | | 507 730 | 523 280 |
| Profit after financial items | | -610 703 | 1 402 506 |
| Change in capital this year | | -610 703 | 1 402 506 |



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Balance sheet

| | 31/12/16 | 31/12/15 |
|--|-------------------|-------------------|
| ASSETS | | |
| Tangible fixed assets | | |
| Equipment | 1 318 665 | 659 744 |
| Total of Tangible fixed assets | 1 318 665 | 659 744 |
| Total fixed assets | 1 318 665 | 659 744 |
| Current assets | | |
| Current receivables | | |
| Accounts receivable | 143 752 | 635 787 |
| Current tax | 26 603 | 932 |
| Other short term claims | 609 553 | 36 434 |
| Prepaid expenses and accrued income | 1 460 390 | 1 754 653 |
| Total of Current receivables | 2 240 298 | 2 427 806 |
| Cash and bank balances | | |
| Cash at bank and in hands | 18 433 204 | 18 939 952 |
| Total cash and cash equivalents | 18 433 204 | 18 939 952 |
| Total current assets | 20 673 502 | 21 367 758 |
| Total assets | 21 992 167 | 22 027 502 |



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Equity and Liabilities

Equity

| | | |
|---------------------|------------------|------------------|
| Balance forward | 5 626 259 | 4 223 753 |
| Change in capital | -610 703 | 1 402 506 |
| Total equity | 5 015 556 | 5 626 259 |

Long term liabilities

| | | |
|------------------------------------|----------------|----------|
| Other long term liability | 361 106 | 0 |
| Total long term liabilities | 361 106 | 0 |

Current liabilities

| | | |
|-------------------------------------|-------------------|-------------------|
| Accounts payable | 2 963 289 | 3 584 661 |
| Unused Grants | 7 547 204 | 7 861 446 |
| Other short term liabilities | 1 348 999 | 845 035 |
| Accrued expenses and prepaid income | 4 756 013 | 4 110 101 |
| Total current liabilities | 16 615 505 | 16 401 243 |

TOTAL EQUITY AND LIABILITIES

| | |
|-------------------|-------------------|
| 21 992 167 | 22 027 502 |
|-------------------|-------------------|



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Additional Information

General Information

Accounting principles

The annual report was first prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1.

Valuation Principles

Receivables

Receivables are recognized at the amounts expected to be received.

Other assets, provisions and liabilities

Other assets, provisions and liabilities are valued at cost unless otherwise stated below.

Revenue Recognition

The income is recognized at the fair value of the consideration received or receivable. A conditional contribution is a contribution made subject to conditions that involve a repayment obligation if the condition is not met. Conditional grants as liabilities until the costs allowance to cover arise.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. The useful life is reviewed at each reporting date. The following useful lives are applied: 5 years.

Assets are depreciated over their estimated useful lives except land, which is not depreciated.

Leases

Operating leases are calculated on a straight-line basis over the lease term

Employee Benefits

Pensions

Defined contribution pension plans

Fees for defined contribution pension plans are expensed as incurred. All of SIPRI's pension plans are defined contribution plans.

Receivables and liabilities in foreign currency

Monetary assets and liabilities denominated in foreign currencies are converted at the closing rate.



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Exchange differences arising on the settlement or translation of monetary items are recognized in the income statement of the financial year in which they arise, as either an operating or a financial item based on the underlying business event.

Public funding

Public contributions are valued at the fair value of the asset that the company has received or will receive.

Government subsidies are not linked to demands for future achievement, known as unconditional grants, recognized when the conditions for the grant met, that is usually associated with the grant is received. Government subsidies associated with the requirement of future performance, so-called conditional grants, a liability when the grant will be received and recognized as income then when the performance is.

Notes to financial statement

| Note 1 Net income | 2016 | 2015 |
|--|-------------------|-------------------|
| Grant from Swedish Government | 28 402 000 | 24 402 000 |
| Grant from other funders | 33 501 961 | 30 310 282 |
| Royalties and sales | 164 763 | 146 135 |
| Other | 74 799 | 395 046 |
| Rental income | 744 306 | |
| | <u>62 887 829</u> | <u>55 253 463</u> |
| Used project grants | 2016 | 2015 |
| Swedish Government agencies | 13 053 248 | 11 670 700 |
| Other Government | 4 502 832 | 6 071 897 |
| Private research foundations | 4 317 159 | 5 030 193 |
| EU | 5 726 408 | 5 881 973 |
| UN and other international organizations | 2 135 162 | 1 119 673 |
| Other | 3 767 152 | 535 846 |
| | <u>33 501 961</u> | <u>30 310 282</u> |



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Note 2 Other external expenses

Project costs for funded
Administrative costs

| 2016 | 2015 |
|-------------------|-------------------|
| 15 962 386 | 14 929 986 |
| 14 215 030 | 9 996 892 |
| <u>30 177 416</u> | <u>24 926 878</u> |

Note 3 Staff

Average number of employees

The average number of employees is based on the association paid Attendance Hours relation to normal working hours.

| | 2016 | 2015 |
|---------------------------------------|-------------|-------------|
| Average number of employees has been: | 48 | 48 |
| of which women | 26 | 25 |
| Of which men | 22 | 23 |

Among them were 16 (16) different nationalities represented
Research Staff were 35 (34) people

The total sickness absence for 2016 amounted to 799,60 (421.89) hours, 0.78% (0.42%) of the total number of hours worked.

Sick leave in relation to the total number of hours worked amounted to 0.82% (0.72%) for men and 0.73% (0.10%) for men.
For Foreign competitors contracted research staff paid tax-free benefits under the Income Tax Act.

All employees are covered by the state collective agreement on pensions.

Gender distribution of board and management

| | 2016 | 2015 |
|----------------------------|-------------|-------------|
| Number of board member | 9 | 8 |
| of which women | 3 | 2 |
| which men | 6 | 6 |
| Number of other executives | 7 | 3 |
| of which women | 3 | 1 |
| which men | 4 | 2 |

Note 4 Machinery and other technical facilities

| | 31/12/16 | 31/12/15 |
|--------------------------------|------------------|------------------|
| Opening cost | 1 133 341 | 462 415 |
| Investments for the year | 953 816 | 670 926 |
| Sales/disposals | 0 | 0 |
| Accumulated acquisition values | <u>2 087 157</u> | <u>1 133 341</u> |
| Depreciation | -473 597 | -371 898 |
| Sales/disposals | 0 | 0 |
| Depreciation of the year | <u>-294 895</u> | <u>-101 699</u> |
| Accumulated depreciation | <u>-768 492</u> | <u>-473 597</u> |
| Total carrying value | <u>1 318 665</u> | <u>659 744</u> |

Note 5 Other interest receivable and similar income

| | 2016 | 2015 |
|----------------------|----------------|----------------|
| Interest | 1 303 | 2 835 |
| Exchange differences | <u>535 334</u> | <u>523 927</u> |
| | <u>536 637</u> | <u>526 762</u> |



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Other Notes

Note 6 Definition of key performance indicators

Operation %=Operating profit as a percentage of
Net income

Cash Ratio %= Total Current assets as a
percentage of Current liabilities