



Stockholm International Peace Research Institute
Organization no: 802006-2660

Annual Report for 2017

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.'

Considering the report from this year the purpose of the statutes has been fulfilled.

SIPRI Governing Board in 2017

Chairman

Ambassador Sven-Olof Petersson, *Sweden* (until 31 May 2017)

Ambassador Jan Eliasson, *Sweden* (from 1 June 2017)

Members

Dr. Vladimir Baranovsky, *Russia*

Mr. Espen Barth Eide, *Norway*

Ambassador Lakhdar Brahimi, *Algeria*

Professor Dewi Fortuna Anwar, *Indonesia*

Ambassador Wolfgang Ischinger, *Germany*

Professor Mary Kaldor, *United Kingdom* (until 31 May 2017)

Dr. Radha Kumar, *India*

Dr. Jessica Tuchman Mathews, *USA* (from 13 December 2017)

The Director

Governing Board meetings 2017

in Solna on 22 – 23 May, 2017

Conference call 20 November 2017

Director and Deputy Director 2017

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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The Director's Annual Report, 2017

Overview

As I write this report I have been the Institute Director for almost two and half years. In 2017, SIPRI welcomed the former Deputy Secretary General of the UN, Ambassador Jan Eliasson, as our new Chair. SIPRI grew and lived up to its reputation as one of the world's leading research centres focusing on international peace and security, conflict, armaments and disarmament.

Highlights of the year included the fourth annual Stockholm Forum on Peace and Development in May and the second annual Stockholm Security Conference in September. Another peak was when SIPRI successfully hosted the annual EU Disarmament and Non-Proliferation Consortium Conference in Brussels in December.

Foremost among the reasons for the institute's success is no doubt our strong commitment to providing transparent and reliable information on the peace and security universe. SIPRI's unique and globally recognized databases are the foundation of much of our unbiased analysis and expert commentary. Another reason is our effective dissemination and outreach through publications, social media and events. All of this is only possible because of the dedicated and outstanding work of my colleagues, the formidable SIPRI staff.

Research

2017 was the first full year with a new organisational shape after restructuring the institute's research into three overarching research clusters in 2016, covering Armament and Disarmament, Conflict and Peace, and Peace and Development, respectively. This reorganisation was a big leap forward as it confirmed the broad scope of SIPRI's research today and prepared the Institute well for further growth.

Whereas no new research programme was introduced in 2017 all the more happened in the current programmes. One example is the work on Climate Change and Risk which was introduced at SIPRI in 2016. This body of work covered issues as wide as commentary on food security and climate change, why climate change need to be more taken into account when addressing the humanitarian crisis and tension around the Lake Chad and not least why it makes scientific sense that the UN Security Council establishes an institutional home for the assessment of climate change related risks.



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Another thriving research area is SIPRI's work on Autonomy in Weapons Systems, which continued successfully in 2017. A landmark report entitled 'Mapping the Development of Autonomy in Weapons Systems' was issued in December. Earlier in the year, in September, SIPRI hosted an acclaimed conference on Article 36 reviews and emerging technology. A short film was made on the basis of interviews and discussions during the event which is available on the SIPRI website.

At the same time, SIPRI reinvigorated and reinforced one of its classic areas of research by recruiting two experts on nuclear issues to the Arms Control, Disarmament and Non-Proliferation Programme. As the world is adjusting to a new reality of troubling rhetoric associated with the threat of use of nuclear weapons it is more than adequate that SIPRI strengthens its capacity to help the world better understand these issues. Moreover, SIPRI's research and capacity building project in Mali grew to become a regional Sahel West Africa Programme with activities both in Niger and Chad.

In 2017 the Peace and Development cluster delivered the innovative and agenda setting Stockholm Forum on Peace and Development for the fourth time with 330 participants from 47 countries and 120 institutions. It focused on the implementation of the Sustaining Peace concept and was attended by, among others, Momodu Kargbo, Minister of Finance of Sierra Leone, Hanan Ashrawi, Executive Member of the PLO, Margot Wallström, Foreign Minister of Sweden and Isabella Lövin, Minister for Development Cooperation of Sweden.

Finally, in September 2017, SIPRI successfully organized the second 'Stockholm Security Conference', this time on 'Secure Cities in an Insecure World' in collaboration with the Riksdag and the City of Stockholm with some 250 participants from around the world. It was held in the solemn presence of His Majesty the King Carl XVI Gustaf and Her Royal Highness Crown Princess Victoria and was attended by, among others, Filippo Grandi, UN High Commissioner of the Refugees and Bill Swing, Director General of the International Organisation on Migration (IOM).

Publications

In 2017 SIPRI published a total of 48 titles in a variety of formats on a wide range of themes. The *SIPRI Yearbook 2017* served, as it does every year, both as SIPRI's flagship publication and as the basic source of data and analysis on a range of peace and security issues. The *SIPRI Yearbook* is an enduring symbol of the institute's excellence and global reach. It is the single most trusted and respected, authoritative and independent source on armaments, disarmament and international peace and security.



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The *SIPRI Yearbook* is published through Oxford University Press (OUP). Since 2010 it has also been available in an online version. Full translations of *SIPRI Yearbook 2017* were published in Chinese, Russian, Ukrainian and Arabic, while summaries were issued in Catalan, Dutch, English, French, German, Italian, Spanish and Swedish.

Media

Through its media and outreach channels, SIPRI was covered in more than 22 700 news stories (up by 4 000 from 2016) in over 140 countries worldwide. By the end of 2017, SIPRI had more than 35 000 Twitter followers (up from 28 000 in 2016) and more than 19 000 page likes on Facebook (up from 16 000 in 2016). SIPRI issued 20 major press releases and 45 commentary pieces, i.e. a total of 65 instances of targeted outreach. This is 60% up compared to 2016.

SIPRI organized four significant data launches in 2017:

- In March, the launch of SIPRI's data on international arms transfers received a record coverage of more than 3 400 in media outlets in 112 countries in the launch week alone.
- In April SIPRI's military expenditure data launch was profiled in more than 2 100 media outlets during the launch week.
- The July launch of SIPRI's world nuclear forces data was cited in over 1 300 media outlets during the launch week.
- In December, the launch of SIPRI's data on arms industry received a record coverage of more than 1 900 media outlets during the launch week.

In 2017, SIPRI also continued its diversification into film and launched four major film series:

- The successful “Year-of-Reflection” series from the jubilee year in 2016 continued as “SIPRI Reflection” with the aim to introduce a new topic of research or concern to SIPRI’s audiences, driven by analysis from SIPRI experts.
- In addition, “Spotlight” features high-profile visitors in brief interviews.
- “Peace Points” is a personal video blog with timely commentary from SIPRI Director Dan Smith.
- Films in the “Searchlight” series each explore a special topic in detail.

Furthermore, SIPRI continued to livestream as many as possible of its events. As of 1 November 2017, SIPRI had issued a total of 63 videos – of which 27 spotlights, 17 Peace Points, 1 Searchlight and the rest livestream recordings. On YouTube, these videos received 18 000 views, with a total watch time of almost 70 000 minutes i.e. almost 1 200 hours i.e. 49 days of continuous SIPRI TV time.



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Combined with viewing on Facebook (which SIPRI launched video on in September), gives total viewing figures of 24 000.

Events

In addition to its major conferences and workshops, SIPRI organised many other important events throughout the year, including:

- 13 February: A panel of the ‘The Comprehensive Nuclear-Test-Ban Treaty: How will we prevent a new era of nuclear testing?’ featuring, among others, CTBTO Executive Director Lassina Zerbo and Swedish State Secretary for Foreign Affairs Annika Söder.
- 28 February: A co-hosted event in Washington DC entitled ‘The Global Arms Trade: Assessing Trends and Future Outlook’, with Dr Aude Fleurant, SIPRI Programme Director of the Arms and Military Expenditure Programme.
- 9 March: Book launch ‘Nuclear multilateralism and Iran: What lessons can be drawn for EU policymakers?’ with author Tarja Chronberg, SIPRI Distinguished Associate Fellow.
- 23 March: Report launch ‘The Silk Road Economic Belt: Security implications and EU–China cooperation prospects’ with, among others, Lora Saalman, Director of the ‘China and Global Security Programme’.
- 11 April: Launch of the final report of the ‘New Geopolitics of Peace Operations II’ initiative in New York with Jair van der Lijn, Director of the SIPRI Peace Operations and Conflict Management Programme.
- 24 April: Exclusive roundtable on ‘Europe and Iran after the JCPOA’ with H.E. Dr Majid Takht-Ravanchi, Deputy Minister for Foreign Affairs of the Islamic Republic of Iran.
- 22 August: Exclusive roundtable on ‘Preventive Diplomacy in the Gulf Region’ with H.E. Yusuf bin Alawi bin Abdullah, Oman’s Minister responsible for Foreign Affairs.
- 19 October: A panel on ‘Why climate change is an issue for the UN Security Council’ in cooperation with the Global Challenges Foundation with, among others, Stockholm Environment Institute Executive Director Johan Kuylensstierna.
- 25 October: Launch of a SIPRI paper on the militarization of social media with author Dr Susan Jackson.
- 8 December: A public event on climate, resilience and security in cooperation with the Ministry for Foreign Affairs of Sweden and Stockholm Resilience Centre with H.E. Margot Wallström, Sweden’s Minister for Foreign Affairs.
- 14 December: An exclusive expert roundtable with Ms Beatrice Fihn, Executive Director of ICAN and Nobel Peace Prize Laureate.



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Finance and administration

With regards to SIPRI's finances, 2017 was an acceptable but not outstanding year if judged by the result - a small surplus of some 300 000 SEK. However, the overall turnover for 2017 increased significantly and totalled some 68 900 000 SEK - up from 62 00 000 SEK in 2016. The increase was due to several new projects but the main reason was a strategic programme grant from the Swedish MFA which covered research and activities in the Armaments and Disarmament as well as the Conflicts and Peace clusters.

The generous core grant from the Riksdag, through the annual Swedish state budget, remains the bedrock of the institute's finances. Without it, SIPRI would not be able to sustain its important mission. The share of external grants in the overall turnover of SIPRI increased to some 60 per cent, showing a healthy diversity of sources underpinning the institute's finances.

An important development in 2017 was that SIPRI for only the second time ever received a sizeable philanthropic donation. It amounted to a record 7 million SEK. 3 of these 7 million SEK were utilized in 2017 and the rest are saved for the future. The donation came from Baron Per Taube, through his company GELBA AB. This enabled SIPRI to arrange the second Stockholm Security Conference on Secure Cities in an Insecure World. We are deeply grateful for this generous donation and for all other contributions and support by Per Taube to SIPRI.

In this context SIPRI also saw the establishment in 2017 of the 'SIPRI Circle', an exclusive group of prominent Swedish corporate and business leaders who meet with representatives of SIPRI to talk about current international affairs and to identify ways to support SIPRI's mission.

Governance

In 2017, SIPRI continued to benefit from strong leadership from its Governing Board. The interaction between staff and the distinguished 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. All members participated in the annual Board meeting in Stockholm in May; a virtual, Board meeting was held in November.

SIPRI's new Chair is Ambassador Jan Eliasson. On 1 June, he succeeded Ambassador Sven-Olof Petersson, who had served as the Board Chair with distinction from 2014 and steered SIPRI through a challenging transition period. We are all enormously indebted to the dedication, professionalism and good humour with which Sven-Olof firmly kept SIPRI on the right course during this



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time. SIPRI now has the pleasure of extending a warm welcome to Jan. His deep knowledge, long experience, outstanding networks and strong international reputation are tremendous assets for SIPRI.

As regards the everyday management of the institute, the Senior Management Team (SMT), which was created in 2016, was in 2017 consolidated as an effective and useful decision making body for all Institute wide management matters. Valuable input also came from the statutory meetings of the Research Staff Collegium (RSC) and the meetings of the staff–management ‘Cooperation Group’.

Outlook

In summary, 2017 was a year of growth and intensified publicity for SIPRI. In the current global atmosphere of increasing rivalries and ever louder voices undermining the importance of facts and evidence in public life, the institute continued to serve global audiences with well-respected, unbiased and authoritative research and facts.

During the year I was able to declare the completion of the three-year strategy for SIPRI’s development, adopted by the Board in 2016, after less than two years. Thus, a new strategy will have to be developed during 2018, charting the way ahead for the Institute.

In a year of growth and increased recognition for SIPRI but also concern about the direction of global affairs, it is important to constantly remind ourselves of the wisdom of SIPRI’s mission as it was coined in 1966. Our statutes stipulate that SIPRI 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’.

Considering this, it is with humility and not without concern that I conclude this report with the message that, while the institute is both bigger, smarter and in better shape than ever in its history, the challenges we are tasked to address are unfortunately also more complex, more worrying and more important than ever before.

Dan Smith
Director
15 February 2018



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Income and assets comparison, 2013–2017*

All figures in SEK

	2017	2016	2015	2014	2013
Net income	69 861 049	62 887 829	55 253 463	53 885 755	51 936 072
Operating profit	321 173	-610 703	1 402 506	-808 274	-1 589 363
Operation (%)	0,5	-1,0	2,5	-1,5	-3,1
Total assets	35 209 644	21 992 167	22 027 502	21 422 708	21 610 381
Cash ratio (%)	113,9	124,4	130,3	124,0	128,8

*Definition of key performance indicators, see footnotes.

Distribution of earnings

Proposal distribution of earnings

To the Assembly's disposal	5 015 556
Earnings	321 173
	<hr/> 5 336 729
The Board proposes to be carried forward:	5 336 729

Equity

Amount at beginning of year	5 015 556
Earnings	321 173
Balance end of year	<hr/> 5 336 729



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

Income and expenditure account

	Note	2017	2016
Operating income			
Net income	1	69 861 049	62 887 829
Total of Operating income		69 861 049	62 887 829
Operating expenses			
Direct external costs	2	-20 611 526	-15 962 386
Other external costs	2	-10 563 554	-14 215 030
Staff costs	3	-37 738 384	-33 533 951
Depreciation and amortization of tangible and intangible fixed assets	4	-357 589	-294 895
Other operating costs		0	0
Total of Operating expenses		-69 271 053	-64 006 262
Operating income		589 996	-1 118 433
Income from financial items			
Financial income	5	22 411	536 637
Financial expenses	6	-291 235	-28 907
Total of Income from financial items		268 824	507 730
Profit after financial items		321 173	-610 703
Change in capital this year		321 173	-610 703



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Balance sheet

	31/12/17	31/12/16
ASSETS		
Tangible fixed assets		
Equipment	1 171 635	1 318 665
Total of Tangible fixed assets	1 171 635	1 318 665
Total fixed assets	1 171 635	1 318 665
Current assets		
Current receivables		
Accounts receivable	4 450 708	143 752
Current tax	0	26 603
Other short term claims	48 119	609 553
Prepaid expenses and accrued income	1 837 114	1 460 390
Total of Current receivables	6 335 941	2 240 298
Cash and bank balances		
Cash at bank and in hands	27 702 068	18 433 204
Total cash and cash equivalents	27 702 068	18 433 204
Total current assets	34 038 009	20 673 502
Total assets	35 209 644	21 992 167



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Equity and Liabilities

Equity

Balance forward	5 015 556	5 626 259
Change in capital	321 173	-610 703
Total equity	5 336 729	5 015 556

Long term liabilities

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

Current liabilities

Accounts payable	3 269 825	2 963 289
Unused Grants	21 421 332	7 547 204
Other short term liabilities	1 523 224	1 348 999
Current tax liability	53 652	
Accrued expenses and prepaid income	3 604 882	4 756 013
Total current liabilities	29 872 915	16 615 505

TOTAL EQUITY AND LIABILITIES

35 209 644

21 992 167



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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.

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

	2017	2016
Grant from Swedish Government	25 402 000	28 402 000
Grant from other funders	43 546 163	33 501 961
Royalties and sales	127 428	164 763
Other	31 426	74 799
Rental income	754 032	744 306
	<u>69 861 049</u>	<u>62 887 829</u>

	2017	2016
Used project grants		
Swedish Government agencies	23 141 956	13 053 248
Other Government	6 519 320	4 502 832
Private research foundations	2 755 300	4 317 159
EU	3 906 296	5 726 408
UN and other international organizations	3 519 157	2 135 162
Other	3 704 134	3 767 152
	<u>43 546 163</u>	<u>33 501 961</u>



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Note 2 Other external expenses

	2017	2016
Project costs for funded	20 611 526	15 962 386
Administrative costs	10 563 554	14 215 030
	<u>31 175 080</u>	<u>30 177 416</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.

	2017	2016
Average number of employees has been:	50	48
of which women	28	26
Of which men	22	22

Among them were 19 (16) different nationalities represented

Research Staff were 36 (35) people

The total sickness absence for 2017 amounted to 383,86 (799,60) hours, 0.38% (0.78%) of the total number of hours worked.

Sick leave in relation to the total number of hours worked amounted to 0.53% (0.82%) for women and 0.19% (0.73%) 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

2017 **2016**



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Number of board member	9	9
of which women	3	3
which men	6	6
Number of other executives	7	7
of which women	4	3
which men	3	4

Note 4 Machinery and other technical facilities

	31/12/17	31/12/16
Opening cost	2 087 157	1 133 341
Investments for the year	210 559	953 816
Sales/disposals	0	0
Accumulated acquisition values	<u>2 297 716</u>	<u>2 087 157</u>
Depreciation	-768 492	-473 597
Sales/disposals	0	0
Depreciation of the year	<u>-357 589</u>	<u>-294 895</u>
Accumulated depreciation	<u>-1 126 081</u>	<u>-768 492</u>
Total carrying value	<u>1 171 635</u>	<u>1 318 665</u>

Note 5 Other interest receivable and similar income

	2017	2016
Interest	22 411	1 303
Exchange differences	0	535 334
	<u>22 411</u>	<u>536 637</u>



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Note 6 Other interest payable and similar costs

	2017	2016
Interest	19 461	28 907
Exchange differences	271 774	0
	<hr/> 291 235	<hr/> 28 907

Other Notes

Note 7 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



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Solna February 21, 2018

Jan Eliasson

Vladimir Baranovsky

Espen Barth Eide

Lakhdar Brahimi

Dewi Fortuna Anwar

Wolfgang Ischinger

Radha Kumar

Dan Smith

Jessica Tuchman Mathews



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Our Audit Report was submitted on February .. , 2018

Ove Olsson
Chartered accountant

Anna-Karin Dahmén
Senior advisor