



**Gatsby
Africa**

Unlocking the Potential of East Africa's Aquaculture Sector





With the potential to support 240,000 jobs and offer a nutritious, low-carbon food source, the rapid growth of East Africa's aquaculture sector underscores the importance of establishing strong business models, attracting catalytic investment, and implementing critical policy changes.

Like the rest of the world, East Africa needs a rapid increase in protein to feed its fast-growing population. Aquaculture offers one of the most efficient, affordable, and low-carbon solutions to bridge the growing protein gap. With abundant freshwater resources ideal for aquaculture, East Africa is also home to tilapia—the world's most farmed fish and the preferred choice of the local market.

Identifying the drivers of transformation

When Gatsby first explored aquaculture in East Africa in 2016, the sector had received donor support for developing small-scale pond fish farms, but it remained nascent. Despite a strong consumer preference for local fish, imported fish from China was dominating the market. We identified significant opportunities for fish farming in Lake Victoria, but few businesses had yet demonstrated how to make it profitable.

We concluded that the key drivers of the industry's productivity and profitability would be higher-quality fish feed combined with improved farm management practices. Our analysis indicated that other challenges could be tackled once the industry gained momentum and began to grow.

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Victory farms employee, Kenya

Victory Farms has become one of Africa's fastest-growing companies and secured \$35 million in Series B investment.

Building a broad-based but competitive industry

A lack of investment in feed – a key driver of the cost of production in aquaculture – was holding the industry back. Feed companies had no incentive to invest given the industry's small size. The growth of Victory Farms helped to break this deadlock – incentivising feed investment, complemented by a second debt investment from Gatsby in a new fish feed mill. This new mill is now applying competitive pressure in the local feed market, driving down prices and driving up quality.

Local SME operators struggled to find the right technical expertise, which hindered their ability to achieve profitability. Since 2019, Gatsby has supported a group of promising SME farms to adopt a more robust, data-driven approach to production. As a result, there are now profitable East African SME operators for the first time.

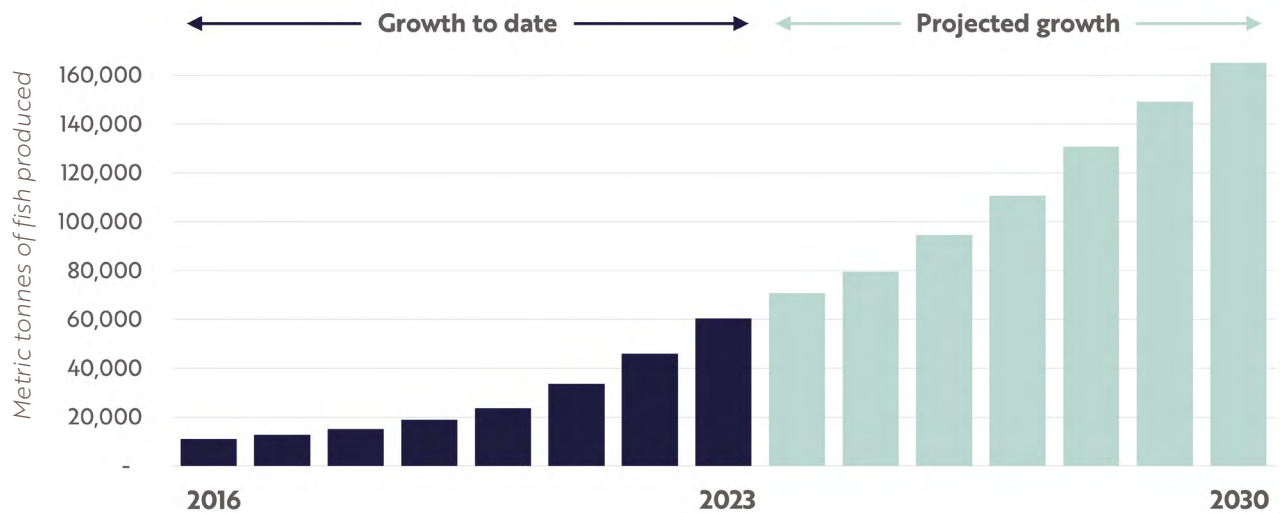
The role of catalytic investment

We firmly believed that if an aquaculture operator could demonstrate success at scale for the first time, it would encourage other operators and financiers to follow suit. However, in this unproven industry, the lack of data on commercial feasibility made investors hesitant.

Gatsby conducted analytical work on the fish farming opportunity and engaged with both current and potential investors. In 2018, Gatsby helped to cost-share a full feasibility assessment and then bridge the financing gap by providing early-stage debt funding to a team of entrepreneurs exploring large-scale fish production in the region. That business, Victory Farms, has since become one of Africa's fastest-growing companies and recently secured \$35 million in Series B investment.



Figure 1: Achieved and projected growth in production



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We believe that the sector could produce 165,000 tons of fish annually by 2030 – resulting in nearly one billion additional fish meals per year and supporting approximately 240,000 jobs.

*Gatsby Africa
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Programme
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Building sector resilience

Now that the aquaculture sector is taking off (see Figure 1, above), Gatsby is focusing on key building blocks of the ecosystem that are vital for resilient growth. One such element is effective spatial planning, licensing, and regulation. Gatsby is collaborating with the Kenyan and Rwandan governments on this agenda and has been invited by other governments in the region to provide similar support. Additionally, Gatsby is working with fish farms, diagnostic service providers, and veterinarians to catalyse a commercial system for delivering fish health services. Both of these efforts are crucial for minimising risks related to the environment, fish health, and community cohesion.

Gatsby is also supporting fish farms to establish apprenticeships programs and collaborating with other industry players, such as feed millers, to launch initiatives that enhance skills – addressing a major barrier to the sector’s growth. Additionally, Gatsby is partnering with hatcheries to implement breeding plans that aim to improve fish genetics, which could increase growth rates by 40-50%.

Conclusion

Having built the right conditions for sector growth, East Africa’s aquaculture industry is showing impressive momentum, expanding six-fold over the past seven years. Profitable businesses at both large and SME scales highlight the sector’s potential, and investment is expanding in crucial input and service markets. Government efforts to coordinate and regulate the sector are now set to bolster the resilience of this growth.