The study investigated the challenges in counter terrorism in the third world countries. Being a case study of Kenya the researcher’s main objective was to examine the challenges that Kenya is facing in the fight against terrorism. The researcher relied on both secondary and primary data in this study. The field study entailed collection of data from three key institutions that handle terrorism matters in the country i.e. the International Police Organization (Interpol), the Kenyan Anti-terrorism Police Unit and the Immigration Department. The study revealed numerous challenges that Kenya faces in countering terrorism. The respondents were rich in information most of them having served for many years in their respective organizations and therefore very resourceful. It came out clearly from the study that Kenya’s capacity to counter terrorism was in-adequate. The factors which have contributed to this in-adequacy include under-funding of critical institutions tasked with countering terrorism. Failure by the government to embrace modern technology especially in the Police service and the Immigration Department was found to be a contributing factor to this in-efficacy. Lack of proper tools and equipment for security agencies as well as in-adequate training were also pointed out by the study as another major challenge. Along this line as well, the study lay blame on the state for neglecting its security personnel in terms of pay, housing and general welfare thereby making them a de-motivated lot. High levels of unemployment which have made the youth an easy prey for terrorist groups also came out as a factor in the study. This is alongside radicalization and religious factors. The study recommends that third world countries should earmark security among their priority areas and address the shortfalls highlighted in the findings of the study. It acknowledges the fact that terrorism is a real security threat in Kenya and the region today.