Assessing and improving the management capacity of health departments at the provincial or district level is just as critical as strengthening the central ministry in fragile states to establish a health system that effectively addresses the health needs of the population. This paper describes a management capacity assessment tool developed for use in fragile states. It uses a framework that describes six critical management areas: oversight and coordination; human resources; resource management; health financing; community involvement; and health information management. These core areas of health system management are assessed with regard to the capacity to plan, to implement, and to monitor and evaluate. The tool was applied to assess the management capacity of six counties in Liberia. The results helped differentiate the level of capacity of the different counties and clarify the actions required to strengthen the health system in the periphery. The assessment allowed the prioritizing of county health offices with regard to the level of capacity building required to improve management. The tool can be applied to other challenging situations to assess management capacity, which will help focus technical assistance to the health sector in fragile states.