

MORGAN STANLEY EMERGING MARKETS DEBT FUND INC
Form N-CSRS
September 05, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-07694

Morgan Stanley Emerging Markets Debt Fund, Inc.
(Exact name of registrant as specified in charter)

522 Fifth Avenue New York, NY
(Address of principal executive offices)

10036
(Zip code)

Ronald E. Robison
522 Fifth Avenue New York, New York 10036
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-231-2608

Date of fiscal year end: 12/31

Date of reporting period: 6/30/08

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Fund's semi-annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

2008 Semi-Annual Report

June 30, 2008

Morgan Stanley
Emerging Markets Debt Fund,
Inc. (MSD)

Morgan Stanley

Investment Management Inc.

Investment Adviser

Morgan Stanley Emerging Markets Debt Fund, Inc.

Overview (unaudited)

Letter to Stockholders

Performance

For the six months ended June 30, 2008, the Morgan Stanley Emerging Markets Debt Fund, Inc. (the Fund) had total returns, based on net asset value and market value per share (including reinvestment of distributions), of -0.71%, net of fees, and -0.93%, respectively, compared to its benchmark, the J.P. Morgan Emerging Markets Bond Global Index (the Index) which returned -0.18%. On June 30, 2008, the closing price of the Fund s shares on the New York Stock Exchange was \$9.30, representing a 14.1% discount to the Fund s net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- The emerging markets debt (EMD) asset class trended mostly sideways over the course of the six-month reporting period, ending slightly negative on a year-to-date basis. During the first quarter, emerging market bond prices rose a bit but failed to keep pace with the dramatic rally in the U.S. Treasury market, where yields fell precipitously on the back of interest rate cuts by the Federal Open Market Committee and expectations of a sharp slowdown in U.S. economic growth.
- The financial crisis that began with subprime mortgage-related securities continued to spread to other segments of the bond market, forcing investors to write down assets for huge paper losses and stoking concerns about counterparty risk throughout the financial system. Although several investment banks have been affected to varying degrees, Bear Stearns was a notable casualty, as it was forced to sell itself to JPMorgan Chase in a fire-sale brokered by the U.S. Federal Reserve. Although this news weighed on all risky assets, EMD remained liquid, while exhibiting relatively low volatility.
- As in the past, Emerging Markets (EM) country s macroeconomic performance continued to surprise on the upside in terms of growth and exports. While most EM countries appear well positioned to withstand today s less hospitable global environment, in the short term inflation fears and the deleveraging process underway in other credit markets are likely to keep risk premia at elevated levels.
- Our emphasis on local currency-denominated securities over external debt during the period aided relative performance, as a number of EM currencies rallied versus the U.S. dollar.

- Overweights in Brazilian, Mexican, and Russian local market securities bolstered relative returns, as did an underweight and security selection in Brazil and Turkey. Conversely, an underweight in Lebanese debt and security selection in Russia detracted from the fund's relative performance.

Management Strategies

- The Fund maintained a neutral spread and below-benchmark interest rate duration (a measure of interest-rate sensitivity) during the period.
- We retained a substantial overweight exposure to local-currency denominated securities, favoring these over external debt during the period.

Sincerely,

Ronald E. Robison
President and Principal Executive Officer

July 2008

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Investment Advisory

Agreement Approval

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Investment Adviser under the Advisory Agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Fund's Administrator under the Administration Agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities at the Investment Adviser's expense. (The Investment Adviser and the Administrator together are referred to as the Adviser and the Advisory and Administration Agreements together are referred to as the Management Agreement.) The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Lipper Inc. (Lipper).

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the advisory and administrative services to the Fund. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Fund. The Board also concluded that the overall quality of the advisory and administrative services was satisfactory.

Performance Relative to Comparable Funds Managed by Other Advisers

On a regular basis, the Board reviews the performance of all funds in the Morgan Stanley Fund Complex, including the Fund, compared to their peers, paying specific attention to the underperforming funds. In addition, the Board specifically reviewed the Fund's performance for the one-, three- and five-year periods ended December 31, 2007, as shown in a report provided by Lipper (the Lipper Report), compared to the performance of comparable funds selected by Lipper (the performance peer group). The Board also discussed with the Adviser the performance goals and the actual results achieved in managing the Fund. The Board concluded that the Fund's performance was competitive with that of its performance peer group.

Fees Relative to Other Proprietary Funds Managed by the Adviser with Comparable Investment Strategies

The Board noted that the Adviser did not manage any other proprietary funds with investment strategies substantially comparable to the Fund.

Fees and Expenses Relative to Comparable Funds Managed by Other Advisers

The Board reviewed the advisory and administrative fee (together, the management fee) rate and total expense ratio of the Fund as compared to the average management fee rate and average total expense ratio for funds, selected by Lipper (the expense peer group), managed by other advisers with investment strategies comparable to those of the Fund, as shown in the Lipper Report. The Board concluded that the Fund's management fee rate and total expense ratio were competitive with those of its expense peer group.

Breakpoints and Economies of Scale

The Board reviewed the structure of the Fund's management fee schedule under the Management Agreement and noted that it does not include breakpoints. The Board considered that the Fund is a closed-end fund and, therefore, that the Fund's assets are not likely to grow with new sales or grow significantly as a result of capital appreciation. The Board concluded that economies of scale for the Fund were not a factor that needed to be considered at the present time.

Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and affiliates during the last year from their relationship with the Fund and during the last two years from their relationship with the Morgan Stanley Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. Based on its review of the information it received, the Board concluded that the profits earned by the Adviser and affiliates were not excessive in light of the advisory, administrative and other services provided to the Fund.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Investment Advisory

Agreement Approval (cont d)

Fall-Out Benefits

The Board considered so-called fall-out benefits derived by the Adviser and affiliates from their relationship with the Fund and the Morgan Stanley Fund Complex, such as commissions on the purchase and sale of Fund shares and float benefits derived from handling of checks for purchases and sales of Fund shares, through a broker-dealer affiliate of the Adviser. The Board also considered that, from time to time, the Adviser may, directly or indirectly, effect trades on behalf of certain Morgan Stanley Funds through various electronic communications networks or other alternative trading systems in which the Adviser's affiliates have ownership interests and/or board seats. The Board concluded that the sales commissions were competitive with those of other broker-dealers and the fall-out benefits were relatively small.

Soft Dollar Benefits

The Board considered whether the Adviser realizes any benefits from commissions paid to brokers who execute securities transactions for the Fund (soft dollars). The Board noted that the Fund invests only in fixed income securities, which do not generate soft dollars.

Adviser Financially Sound and Financially Capable of Meeting the Fund's Needs

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement.

Historical Relationship Between the Fund and the Adviser

The Board also reviewed and considered the historical relationship between the Fund and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Fund's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that it is beneficial for the Fund to continue its relationship with the Adviser.

Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Fund's business.

General Conclusion

After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Fund and its shareholders to approve renewal of the Management Agreement for another year.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Portfolio of Investments

(Showing percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
DEBT INSTRUMENTS (96.9%)		
Argentina (1.2%)		
Sovereign (1.2%)		
Republic of Argentina, 8.28%, 12/31/33	\$ 3,531	\$ 2,706
Republic of Argentina (Foreign), 8.28%, 12/31/33	(a)443	282
		2,988
Brazil (16.4%)		
Corporate (1.1%)		
Banco ABN Amro Real S.A., 16.20%, 2/22/10	BRL 4,240	2,711
Sovereign (15.3%)		
Banco Nacional de Desenvolvimento Economico e Social, 6.37%, 6/16/18	\$ 5,000	5,000
Brazil Notas do Tesouro Nacional, Series F, 10.00%, 1/1/10	BRL 5,049	2,958
Federative Republic of Brazil, 6.00%, 1/17/17	\$ 6,850	7,001
8.00%, 1/15/18	6,403	7,127
8.88%, 10/14/19 - 4/15/24	5,688	7,145
10.50%, 7/14/14	1,740	2,205
11.00%, 8/17/40	4,250	5,626
		37,062
		39,773
Bulgaria (0.5%)		
Sovereign (0.5%)		
Republic of Bulgaria, 8.25%, 1/15/15	(b)1,149	1,308
Chile (1.3%)		
Corporate (1.3%)		
Empresa Nacional del Petroleo, 6.75%, 11/15/12	(b)3,090	3,216
Colombia (0.6%)		
Sovereign (0.6%)		
Republic of Colombia, 11.75%, 2/25/20	1,075	1,564
Ecuador (1.9%)		
Sovereign (1.9%)		
Republic of Ecuador, 9.38%, 12/15/15	2,053	2,119

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10.00%, 8/15/30		(c)2,500	2,444 4,563
Egypt (0.8%)			
Sovereign (0.8%)			
Arab Republic of Egypt, 8.75%, 7/18/12	EGP	10,510	\$ 1,911
Ghana (0.8%)			
Sovereign (0.8%)			
Republic of Ghana, 8.50%, 10/4/17	\$	1,916	1,978
Indonesia (5.2%)			
Corporate (1.4%)			
Pindo Deli Finance Mauritius, Tranche A, 4.93%, 4/28/15		(b)(d)484	370
Tranche B, 4.93%, 4/28/18		(b)(d)1,707	640
Tranche C, Zero Coupon, 4/28/25		(d)6,884	447
Tijiwi Kimia Finance Mauritius Ltd., Tranche A, 4.93%, 4/28/15		(d)1,596	1,221
Tranche B, 4.93%, 4/28/18		(b)(d)1,477	539
Tranche C, Zero Coupon, 4/28/27		(b)(d)3,352	218 3,435
Sovereign (3.8%)			
Republic of Indonesia, 6.88%, 1/17/18		2,452	2,317
7.75%, 1/17/38		7,222	6,825 9,142 12,577
Ivory Coast (0.3%)			
Sovereign (0.3%)			
Ivory Coast, 2.50%, 3/31/18		(e)2,045	736
Kazakhstan (2.6%)			
Sovereign (2.6%)			
Intergas Finance BV, 6.38%, 5/14/17		2,390	2,142
KazMunaiGaz Finance Sub BV, 9.13%, 7/2/18		(b)4,200	4,195 6,337
Malaysia (1.0%)			
Sovereign (1.0%)			
Government of Malaysia, 7.50%, 7/15/11		420	456
8.75%, 6/1/09		1,929	2,012 2,468

The accompanying notes are an integral part of the financial statements.

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Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Portfolio of Investments (cont d)

(Showing percentage of Total Value of Investments)

		Face Amount (000)		Value (000)
Mexico (12.9%)				
Sovereign (12.9%)				
Mexican Bonos, 8.00%, 12/17/15	MXN	30,739	\$	2,804
Pemex Project Funding Master Trust, 4.08%, 6/15/10		\$ (b)(d)4,250		4,277
5.75%, 3/1/18		(b)1,840		1,826
6.63%, 6/15/35		5,000		4,958
8.63%, 12/1/23		1,740		2,162
9.13%, 10/13/10		4,040		4,414
United Mexican States, 5.63%, 1/15/17	\$	6,278		6,360
6.75%, 9/27/34		1,479		1,573
7.50%, 1/14/12		1		1
8.38%, 1/14/11		2,665		2,921
				31,296
Nigeria (1.1%)				
Sovereign (1.1%)				
UBS AG, Federal Republic of Nigeria, Credit Linked Unsecured Notes, Zero Coupon, 4/9/09	NGN	351,300		2,765
Panama (2.8%)				
Sovereign (2.8%)				
Republic of Panama, 7.13%, 1/29/26	\$	1,910		2,025
7.25%, 3/15/15		1,148		1,240
9.38%, 4/1/29		2,663		3,495
				6,760
Peru (5.9%)				
Sovereign (5.9%)				
Republic of Peru, 6.55%, 3/14/37		2,613		2,652
8.38%, 5/3/16		1,150		1,339
8.75%, 11/21/33		5,846		7,541
9.88%, 2/6/15		2,342		2,877
				14,409
Philippines (6.8%)				
Sovereign (6.8%)				
Republic of Philippines, 8.88%, 3/17/15	(f)	9,315		10,374
9.00%, 2/15/13		2,240		2,470
9.50%, 2/2/30		2,909		3,560

			16,404
Qatar (0.8%)			
Sovereign (0.8%)			
State of Qatar (Registered),			
9.75%, 6/15/30	\$	1,260	1,903
Russia (16.4%)			
Corporate (3.4%)			
Gaz Capital S.A.,			
6.21%, 11/22/16		(b)2,202	2,063
8.63%, 4/28/34		489	540
JPMorgan Chase & Co.,			
7.00%, 6/28/17	RUB	62,000	2,056
TNK-BP Finance S.A.,			
7.88%, 3/13/18	\$	(b)3,800	3,677
			8,336
Sovereign (13.0%)			
Citigroup, Inc., OJSC Russian Agricultural Bank,			
Credit Linked Unsecured Notes,			
7.34%, 2/24/10		2,414	2,451
RSHB Capital S.A. for OJSC Russian			
Agricultural Bank			
6.30%, 5/15/17		(b)2,004	1,854
7.18%, 5/16/13		(b)2,800	2,810
7.18%, 5/16/13		270	271
Russian Federation,			
7.50%, 3/31/30		(c)871	980
Russian Federation (Registered),			
7.50%, 3/31/30		(c)10,199	11,473
11.00%, 7/24/18		321	450
12.75%, 6/24/28		4,000	7,095
Russian Ministry of Finance,			
3.00%, 5/14/11		4,230	4,046
			31,430
			39,766
South Korea (0.4%)			
Sovereign (0.4%)			
Korea Development Bank,			
5.30%, 1/17/13		1,000	994
Trinidad (0.9%)			
Corporate (0.9%)			
National Gas Co. of Trinidad & Tobago Ltd.,			
6.05%, 1/15/36		(b)2,369	2,174

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Portfolio of Investments (cont d)

(Showing percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
Turkey (7.3%)		
Sovereign (7.3%)		
Republic of Turkey,		
6.75%, 4/3/18	\$ 7,005	\$ 6,550
11.00%, 1/14/13	(f)7,145	8,270
11.50%, 1/23/12	320	368
11.88%, 1/15/30	1,737	2,449
		17,637
Ukraine (0.9%)		
Sovereign (0.9%)		
Republic of Ukraine,		
6.58%, 11/21/16	2,410	2,145
Venezuela (8.1%)		
Sovereign (8.1%)		
Republic of Venezuela,		
9.25%, 9/15/27	11,581	10,898
10.75%, 9/19/13	8,330	8,684
		19,582
TOTAL DEBT INSTRUMENTS		
(Cost \$235,890)		235,254
	No. of Warrants	
WARRANTS (0.4%)		
Nigeria (0.2%)		
Central Bank of Nigeria,		
expiring 11/15/20	3,000	654
Venezuela (0.2%)		
Republic of Venezuela Oil-Linked		
Payment Obligation,		
expiring 4/15/20	11,350	406
TOTAL WARRANTS		
(Cost \$)		1,060
	Shares	Value (000)
SHORT-TERM INVESTMENT (2.7%)		
United States (2.7%)		
Investment Company		
Morgan Stanley Institutional Liquidity	(g)6,529,765	\$ 6,530
Money Market Portfolio		
Institutional Class		

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(Cost \$6,530)

TOTAL INVESTMENTS(100.0%)

(Cost \$242,420)

242,844

LIABILITIES IN EXCESS OF OTHER ASSETS

(10,349)

NET ASSETS

\$ 232,495

- (a) Security was valued at fair value At June 30, 2008, the Fund held a fair valued security, valued at approximately \$282,000, representing 0.1% of net assets.
- (b) 144A Security Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.
- (c) Step Bond coupon rate increases in increments to maturity. Rate disclosed is as of June 30, 2008. Maturity date disclosed is ultimate maturity.
- (d) Variable/Floating Rate Security Interest rate changes on these instruments are based on changes in designated base rates. The rates shown are those in effect on June 30, 2008.
- (e) Issuer is in default.
- (f) Denotes all or a portion of securities subject to repurchase under the Reverse Repurchase Agreements as of June 30, 2008. See Note A-3 within the Notes to Financial Statements.
- (g) See Note G within the Notes to Financial Statements regarding investments in Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class.

BRL	Brazilian Real
EGP	Egyptian Pound
MXN	Mexican Peso
NGN	Nigerian Naira
RUB	Russian Ruble

Futures Contracts:

The Fund had the following futures contract(s) open at period end:

	Number of Contracts	Value (000)	Expiration Date	Net Unrealized Appreciation (Depreciation) (000)
Short:				
2 Year U.S. Treasury Note	33	\$ 6,970	Sep-08	\$ (3)
5 Year U.S. Treasury Note	538	59,478	Sep-08	184
				\$ 181

The accompanying notes are an integral part of the financial statements.

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Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Portfolio of Investments (cont d)

(Showing percentage of Total Value of Investments)

Interest Rate Swap Contracts

The Fund had the following interest rate swap agreement(s) open at period end:

Swap Counterparty	Floating Rate Index	Pay/Receive Floating Rate	Fixed Rate	Termination Date	Notional Amount (000)	Unrealized Appreciation (Depreciation) (000)
JPMorgan Chase	3 Month LIBOR	Pay	4.39%	12/11/12	\$54,409	\$ 493

LIBOR London Inter Bank Offer Rate

Graphic Presentation of Portfolio Holdings

The following graph depicts the Fund's holdings by industry and/or security type, as a percentage of total investments.

* Industries which do not appear in the above graph, as well as those which represent less than 5% of total

investments, if applicable, are included in the category labeled Other .

8 The accompanying notes are an integral part of the financial statements.

Morgan Stanley Emerging Markets Debt Fund, Inc.

Financial Statements

	June 30, 2008
	(unaudited)
	(000)
Statement of Assets and Liabilities	
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value (Cost \$235,890)	\$236,314
Investment in Security of Affiliated Issuer, at Value (Cost \$6,530)	6,530
Total Investments in Securities, at Value (Cost \$242,420)	242,844
Cash	149
Foreign Currency, at Value (Cost \$307)	306
Interest Receivable	4,856
Due from Broker	1,222
Unrealized Appreciation on Swap Agreements	493
Dividends Receivable	8
Receivable from Affiliate	@
Other Assets	12
Total Assets	249,890
Liabilities:	
Payable For:	
Reverse Repurchase Agreements	9,595
Investments Purchased	4,166
Dividends Declared	3,328
Investment Advisory Fees	195
Administration Fees	7
Directors Fees and Expenses	6
Custodian Fees	5
Other Liabilities	93
Total Liabilities	17,395
Net Assets	
Applicable to 21,473,115 Issued and Outstanding \$0.01 Par Value Shares (100,000,000 Shares Authorized)	\$232,495
Net Asset Value Per Share	\$ 10.83
Net Assets Consist of:	
Common Stock	\$ 215
Paid-in Capital	236,285
Undistributed (Distributions in Excess of) Net Investment Income	(1,646)
Accumulated Net Realized Gain (Loss)	(3,473)
Unrealized Appreciation (Depreciation) on Investments, Foreign Currency Translations, Futures Contracts and Swap Agreements	1,114
Net Assets	\$232,495
@ Amount is less than \$500.	

The accompanying notes are an integral part of the financial statements

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Morgan Stanley Emerging Markets Debt Fund, Inc.

Financial Statements

	Six Months Ended June 30, 2008 (unaudited) (000)
Statement of Operations	
Investment Income	
Interest from Securities of Unaffiliated Issuers	\$ 8,148
Dividends from Security of Affiliated Issuer	54
Total Investment Income	8,202
Expenses	
Investment Advisory Fees (Note B)	1,204
Administration Fees (Note C)	96
Professional Fees	69
Stockholder Reporting Expenses	19
Custodian Fees (Note D)	10
Stockholder Servicing Agent Fees	3
Directors Fees and Expenses	3
Other Expenses	26
Expenses Before Interest Expense	1,430
Interest Expense on Reverse Repurchase Agreements	137
Total Expenses	1,567
Waiver of Administration Fees (Note C)	(55)
Rebate from Morgan Stanley Affiliated Cash Sweep (Note G)	(2)
Expense Offset (Note D)	(1)
Net Expenses	1,509
Net Investment Income (Loss)	6,693
Net Realized Gain (Loss) on:	
Investments	(125)
Foreign Currency Transactions	1,620
Futures Contracts	(1,507)
Swap Agreements	103
Net Realized Gain (Loss)	91
Change in Unrealized Appreciation (Depreciation) on:	
Investments	(10,512)
Foreign Currency Translations	(20)
Futures Contracts	463
Swaps Agreements	31
Change in Unrealized Appreciation (Depreciation)	(10,038)
Net Realized Gain (Loss) and Change in Unrealized Appreciation (Depreciation)	(9,947)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ (3,254)

Morgan Stanley Emerging Markets Debt Fund, Inc.

Financial Statements

Statements of Changes in Net Assets	Six Months Ended June 30, 2008 (unaudited) (000)	Year Ended December 31, 2007 (000)
Increase (Decrease) in Net Assets		
Operations:		
Net Investment Income (Loss)	\$ 6,693	\$ 15,187
Net Realized Gain (Loss)	91	12,122
Change in Unrealized Appreciation (Depreciation)	(10,038)	(11,364)
Net Increase (Decrease) in Net Assets Resulting from Operations	(3,254)	15,945
Distributions from and/or in Excess of:		
Net Investment Income	(6,657)	(14,541)
Capital Share Transactions:		
Repurchase of Shares (342,971 and 230,595 shares, respectively)	(3,425)	(2,257)
Total Increase (Decrease)	(13,336)	(853)
Net Assets:		
Beginning of Period	245,831	246,684
End of Period (Including Undistributed (Distributions in Excess of) Net Investment Income of \$(1,646) and \$(1,682), respectively)	\$232,495	\$245,831

The accompanying notes are an integral part of the financial statements

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Morgan Stanley Emerging Markets Debt Fund, Inc.

Financial Statements

Statement of Cash Flows

Six Months Ended
June 30, 2008
(unaudited)
(000)

Cash Flows From Operating Activities:

Proceeds from Sales and Maturities of Long-Term Investments	\$ 80,917
Purchases of Long-Term Investments	(76,796)
Net (Increase) Decrease in Short-Term Investments	(570)
Net Increase (Decrease) in Foreign Currency Holdings	(307)
Net Increase (Decrease) in Cash Overdrafts	(41)
Net Realized Gain (Loss) for Foreign Currency Transactions	1,620
Net Realized Gain (Loss) on Futures Contracts	(1,507)
Net Realized Gain (Loss) on Swap Agreements	103
Net Investment Income	6,693

Adjustments to Reconcile Net Investment Income to Net Cash Provided (Used) by Operating Activities:

Net (Increase) Decrease in Receivables Related to Operations	851
Net Increase (Decrease) in Payables Related to Operations	(42)
Accretion/Amortization of Discounts and Premiums	151
Net Cash Provided (Used) by Operating Activities	11,072

Cash Flows from Financing Activities:

Cash Received for Reverse Repurchase Agreements	48,030
Cash Paid for Reverse Repurchase Agreements	(47,910)
Payment on Fund Shares Repurchased	(3,425)
Cash Distributions Paid	(7,618)
Net Cash Provided (Used) for Financing Activities	(10,923)
Net Increase (Decrease) in Cash	149

Cash at Beginning of Period

Cash at End of Period \$ 149

Supplemental Disclosure of Cash Flow Information:

Interest Paid on Reverse Repurchase Agreements during the Period \$ 188

Morgan Stanley Emerging Markets Debt Fund, Inc.

Financial Highlights

Selected Per Share Data and Ratios

	Six Months Ended June 30, 2008 (unaudited)		2007	Year Ended December 31, 2006			2005	2004	2003
Net Asset Value, Beginning of Period	\$	11.27	\$	11.19	\$10.80	\$10.39	\$10.24	\$8.45	
Net Investment Income		0.31		0.69	0.67	0.91	0.83	0.77	
Net Realized and Unrealized Gain (Loss) on Investments		(0.46)		0.03	0.49	0.44	0.19	1.77	
Total from Investment Operations		(0.15)		0.72	1.16	1.35	1.02	2.54	
Distributions from and/or in Excess of:									
Net Investment Income		(0.31)		(0.66)	(0.77)	(0.94)	(0.87)	(0.75)	
Anti-Dilutive Effect of Share Repurchase Program		0.02		0.02					
Net Asset Value, End of Period	\$	10.83	\$	11.27	\$11.19	\$10.80	\$10.39	\$10.24	
Per Share Market Value, End of Period	\$	9.30	\$	9.70	\$10.84	\$10.88	\$9.61	\$9.76	
TOTAL INVESTMENT RETURN:									
Market Value		(0.93)%*		(4.52)%	7.38%	23.98%	7.95%	40.21%	
Net Asset Value (1)		(0.71)%*		7.46%	11.66%	13.83%	11.24%	31.44%	
RATIOS, SUPPLEMENTAL DATA:									
Net Assets, End of Period (Thousands)		\$232,495		\$245,831	\$246,684	\$238,091	\$229,044	\$225,784	
Ratio of Expenses to Average Net Assets(2)		1.25%+**		1.29%+	1.34%	1.36%	1.22%	1.25%	
Ratio of Expenses Excluding Interest Expense to Average Net Assets		1.14%+**		1.10%+	1.16%	1.16%	1.16%	1.20%	
Ratio of Net Investment Income to Average Net Assets(2)		5.56%+**		6.11%+	6.12%	8.58%	8.18%	8.04%	
Portfolio Turnover Rate		34%*		56%	44%	50%	118%	187%	
(2) Supplemental Information on the Ratios to Average Net Assets:									
Ratios Before Expenses Waived by Administrator:									
Ratio of Expenses to Average Net Assets		1.30%+**		1.34%+	1.38%	1.41%	1.23%	N/A	
Ratio of Net Investment Income to Average Net Assets		5.51%+**		6.06%+	6.08%	8.53%	8.17%	N/A	

(1) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. This percentage is not an indication of the performance of a stockholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund.

Per share amounts are based on average shares outstanding.

* Not Annualized

** Annualized

+ Reflects rebate of certain Fund expenses in connection with the investments in Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class during the period. As a result of such rebate, the expenses as a percentage of its net assets were effected by less than 0.005%.

The accompanying notes are an integral part of the financial statements

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Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements

Morgan Stanley Emerging Markets Debt Fund, Inc. (the Fund) was incorporated in Maryland on May 6, 1993, and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to produce high current income and as a secondary objective, to seek capital appreciation, through investments primarily in debt securities of government and government-related issuers located in emerging market countries and of entities organized to restructure outstanding debt of such issuers.

A. Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles. Such policies are consistently followed by the Fund in the preparation of its financial statements. U.S. generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. Security Valuation: Bonds and other fixed income securities may be valued according to the broadest and most representative market. In addition, bonds and other fixed income securities may be valued on the basis of prices provided by a pricing service. The prices provided by a pricing service take into account broker dealer market price quotations for institutional size trading in similar groups of securities, security quality, maturity, coupon and other security characteristics as well as any developments related to the specific securities. Securities listed on a foreign exchange are valued at their closing price. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the current bid and asked prices obtained from reputable brokers. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, if it approximates market value.

All other securities and investments for which market values are not readily available, including restricted securities, and those securities for which it is inappropriate to determine prices in accordance with the aforementioned procedures, are valued at fair value as determined in good faith under procedures adopted by the Board of Directors (the Directors), although the actual calculations may be done by others. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Most foreign markets close before the New York Stock Exchange (NYSE). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under

procedures established by the Directors.

2. **Reverse Repurchase Agreements:** The Fund may enter into reverse repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. Under a reverse repurchase agreement, the Fund sells securities and agrees to repurchase them at a mutually agreed upon date and price. Reverse repurchase agreements involve the risk that the market value of the securities purchased with the proceeds from the sale of securities received by the Fund may decline below the price of the securities the Fund is obligated to repurchase. Reverse repurchase agreements also involve credit risk with the counterparty to the extent that the value of securities subject to repurchase exceed the Fund's liability under the reverse repurchase agreement. Securities subject to repurchase under reverse repurchase agreements, if any, are designated as such in the Portfolio of Investments.

At June 30, 2008, the Fund had reverse repurchase agreements outstanding with Lehman Brothers as follows:

	Maturity in less than 366 Days
Value of Securities Subject to Repurchase	\$10,588,000
Liability Under Reverse Repurchase Agreement	\$ 9,595,000
Weighted Average Days to Maturity	30.55

The weighted average weekly balance of reverse repurchase agreements outstanding during the six months ended June

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

30, 2008 was approximately \$3,938,000 at a weighted average weekly interest rate of 3.50%.

3. Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars at the mean of the bid and ask prices of such currencies against U.S. dollars last quoted by a major bank as follows:

- investments, other assets and liabilities at the prevailing rates of exchange on the valuation date;
- investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from sales and maturities of foreign currency exchange contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on investments and foreign currency translations in the Statement of Assets and Liabilities. The change in net unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Fund's net assets consist of securities of issuers located in emerging markets or which are denominated in foreign currencies. Such investments may be concentrated in a limited number of countries and regions and may vary throughout the year. Changes in currency exchange rates will affect the value of and investment income from foreign currency denominated securities. Emerging market securities are often subject to greater price volatility, limited capitalization and liquidity, and higher rates of inflation than U.S. securities. In addition, emerging market securities may be subject to substantial governmental involvement in the economy and greater social, economic and political uncertainty.

4. Derivatives: The Fund may use derivatives to achieve its investment objectives. The Fund may engage in transactions in futures contracts on foreign currencies, stock indices, as well as in options, swaps and structured products. Consistent with the Fund's investment objectives and policies, the Fund may use derivatives for non-hedging as well as hedging purposes.

Following is a description of derivative instruments that the Fund has utilized and their associated risks:

Cross Currency Hedges: The Fund may enter into cross currency hedges, which involve the sale of one currency against the positive exposure to a different currency. Cross currency hedges may be used for hedging purposes or to establish an active exposure to the exchange rate between any two currencies. Hedging the Fund's currency risks involves the risk of mismatching the Fund's obligations under a forward or futures contract with the value of securities denominated in a particular currency. For cross currency hedges, there is an additional risk to the extent that these transactions create exposure to currencies in which the Fund's securities are not denominated. At June 30, 2008, the Fund did not have any outstanding cross currency hedges.

Foreign Currency Exchange Contracts: The Fund may enter into foreign currency exchange contracts generally to attempt to protect securities and related receivables and payables against changes in future foreign exchange rates and, in certain situations, to gain exposure to a foreign currency. A foreign currency exchange contract is an agreement between two parties to buy or sell currency at a set price on a future date. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked-to-market daily and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund records realized gains or losses when the contract is closed equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Risk may arise upon entering into

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

these contracts from the potential inability of counterparties to meet the terms of their contracts and is generally limited to the amount of unrealized gain on the contracts, if any, at the date of default. Risks may also arise from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. At June 30, 2008, the Fund did not have any outstanding foreign currency exchange contracts.

Purchased & Written Options: The Fund may write covered call and put options on portfolio securities and other financial instruments. Premiums are received and are recorded as liabilities. The liabilities are subsequently adjusted to reflect the current value of the options written. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the net realized gain or loss. By writing a covered call option, the Fund, in exchange for the premium, foregoes the opportunity for capital appreciation above the exercise price should the market price of the underlying security increase. By writing a put option, the Fund, in exchange for the premium, accepts the risk of having to purchase a security at an exercise price that is above the current market price.

The Fund may purchase call and put options on its securities or other financial instruments. The Fund may purchase call options to protect against an increase in the price of the security or financial instrument it anticipates purchasing. The Fund may purchase put options on securities which it holds or other financial instruments to protect against a decline in the value of the security or financial instrument or to close out covered written put positions. Risks may arise from an imperfect correlation between the change in market value of the securities purchased or sold by the Fund and from the possible lack of a liquid secondary market for an option. The maximum exposure to loss for any purchased option is limited to the premium initially paid for the option. At June 30, 2008, the Fund did not have any outstanding purchased or written options.

Structured Securities: The Fund may invest in interests in entities organized and operated solely for the purpose of restructuring the investment characteristics of sovereign debt obligations. This type of restructuring involves the deposit with or purchase by an entity of specified instruments and the issuance by that entity of one or more classes of securities (Structured Securities) backed by, or representing interests in, the underlying instruments. Structured Securities generally will expose the Fund to credit risks of the underlying instruments as well as of the issuer of the Structured Security. Structured Securities are typically sold in private placement transactions with no active trading market. Investments in Structured Securities may be more volatile than their underlying instruments, however, any loss is limited to the amount of the original investment.

Futures: The Fund may purchase and sell futures contracts. Futures contracts provide for the sale by one party and purchase by another party of a specified amount of a specified security, index, instrument or basket of instruments. Futures contracts (secured by cash, government or other liquid securities deposited with brokers or custodians as initial margin) are valued based upon their quoted daily settlement prices; changes in initial settlement value (represented by cash paid to or received from brokers as variation margin) are accounted for as unrealized appreciation (depreciation). When futures contracts are closed, the difference between the opening value at the date of purchase and the value at closing is recorded as realized gains or losses in the Statement of Operations.

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The Fund may use futures contracts in order to manage its exposure to the stock and bond markets, to hedge against unfavorable changes in the value of securities or to remain fully invested and to reduce transaction costs. Futures contracts involve market risk in excess of the amounts recognized in the Statement of Assets and Liabilities. Risks arise from the possible movements in security values underlying these instruments. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

Over-the-Counter Trading: Securities and other derivative instruments that may be purchased or sold by the Fund may consist of instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater, and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less, than in the case of an exchange-traded instrument. In addition, significant disparities may exist between bid and ask prices for derivative instruments that are not traded on

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Swaps. A swap is a derivative in the form of an agreement to exchange the return generated by one instrument for the return generated by another instrument. The payment streams are calculated by reference to a specified index and agreed upon notional amount. The term "specified index" includes currencies, fixed interest rates, prices, total return on interest rate indices, fixed income indices, stock indices and commodity indices (as well as amounts derived from arithmetic operations on these indices). For example, the Fund may agree to swap the return generated by a fixed income index for the return generated by a second fixed income index. The currency swaps in which the Fund may enter will generally involve an agreement to pay interest streams in one currency based on a specified index in exchange for receiving interest streams denominated in another currency. Such swaps may involve initial and final exchanges that correspond to the agreed upon notional amount. The Fund intends to use interest rate swaps for hedging purposes, to manage the maturity and duration of the Fund, or to gain exposure to a market without directly investing in securities traded in that market.

The swaps in which the Fund may engage also include rate caps, floors and collars under which one party pays a single or periodic fixed amount(s) (or premium), and the other party pays periodic amounts based on the movement of a specified index. Swaps do not involve the delivery of securities, other underlying assets, or principal. Accordingly, the risk of loss with respect to swaps is limited to the net amount of payments that the Fund is contractually obligated to make. If the other party to a swap defaults, the Fund's risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive. Currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, the Fund may have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. Caps, floors and collars are more recent innovations for which standardized documentation has not yet been fully developed and, accordingly, they are less liquid than swaps.

The Fund will usually enter into swaps on a net basis, i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund's obligations under a swap agreement will be accrued daily (offset against any amounts owing to the Fund) and any accrued but unpaid net amounts owed to a swap Counterparty will be covered by the maintenance of a segregated account consisting of cash or liquid securities to avoid any potential leveraging of the Fund.

The Fund may enter into OTC derivatives transactions (swaps, caps, floors, puts, etc., but excluding foreign exchange contracts) with counterparties that are approved by the Investment Adviser in accordance with guidelines established by the Board. These guidelines provide for a minimum credit rating for each counterparty and various credit enhancement techniques (for example, collateralization of amounts due from counterparties) to limit exposure to counterparties with ratings below AA.

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The use of swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary fund securities transactions. If the Investment Adviser is incorrect in its forecasts of market values, interest rates, and currency exchange rates, the investment performance of the Fund would be less favorable than it would have been if this investment technique were not used.

Credit Default Swaps: Credit default swaps involve commitments to pay a fixed rate in exchange for payment if a credit event affecting a third party (the referenced company) occurs. Credit events may include a failure to pay interest, bankruptcy, or restructuring. The Fund accrues for interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation (depreciation) of swap contracts on the Statement of Assets and Liabilities. Once interim payments are settled in cash, the net amount is recorded within realized gain (loss) on swaps in the Statement of Operations. Credit default swaps are marked-to-market

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

daily based upon quotations from market makers and the change, if any, is recorded as unrealized appreciation or depreciation in the Statement of Operations.

The Fund may enter into credit default swap contracts for hedging purposes, to add leverage to its portfolio or to gain exposure to a credit in which the Fund may otherwise invest. As the seller in a credit default swap contract, the Fund would be required to pay the par (or other agreed-upon) value of a referenced debt obligation to the counterparty in the event of a default by a third party, such as a U.S. or foreign corporate issuer, on the debt obligation. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. As the seller, the Fund would effectively add leverage to the Fund because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap.

The Fund may also purchase credit default swap contracts in order to hedge against the risk of default of debt securities held in the Fund, in which case the Fund would function as the counterparty referenced in the preceding paragraph. This would involve the risk that the investment may expire worthless and would generate income only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial instability). It would also involve credit risk that the seller may fail to satisfy its payment obligations to the Fund in the event of a default.

The Fund will earmark or segregate assets in the form of cash and cash equivalents in an amount equal to the aggregate market value of the credit default swaps of which it is the seller, marked to market on a daily basis.

Interest Rate Swaps: Interest rate swaps involve the exchange of commitments to pay and receive interest based on a notional principal amount. The Fund accrues for interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation (depreciation) of swap contracts on the Statement of Assets and Liabilities. Once interim payments are settled in cash, the net amount is recorded within realized gain (loss) on swaps on the Statement of Operations. In a zero-coupon interest rate swap, payments only occur at maturity, at which time one counterparty pays the total compounded fixed rate over the life of the swap and the other pays the total compounded floating rate that would have been earned had a series of LIBOR investments been rolled over through the life of the swap. The Fund amortizes its interest payment obligation over the life of the swap. The amortized portion of this payment is recorded within realized gain (loss) on the Statement of Operations. The unamortized portion of this payment is included in Due from (to) Broker on the Statement of Assets and Liabilities. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized appreciation or depreciation in the Statement of Operations.

Total Return Swaps: Total return swaps involve commitments to pay interest in exchange for a market-linked return based on a notional amount. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the

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Fund will receive a payment from or make a payment to the counterparty, respectively. Total return swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized appreciation or depreciation in the Statement of Operations. Periodic payments received or made at the end of each measurement period, but prior to termination, are recorded as realized gains or losses in the Statement of Operations.

Interest rate and total rate of return swaps do not involve the delivery of securities, other underlying assets, or principal. Accordingly, the risk of loss with respect to interest rate and total rate of return swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the other party to an interest rate or total rate of return swap defaults, the Fund's risk of loss consists of the net amount of interest payments that the Fund is contractually entitled to receive. In contrast, currency swaps may involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, the Fund may have contractual remedies pursuant to the agreements related to the transaction.

Realized gains or losses on maturity or termination of swaps are presented in the Statement of Operations. Because there is no organized market for these swap agreements, the unrealized gain (loss) reported in the Statement of Assets & Liabilities may differ from that which would be realized in the event the

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

Fund terminated its position in the agreement. Risks may arise upon entering into these agreements from the potential inability of the counterparties to meet the terms of the agreements and are generally limited to the amount of net interest payments to be received, if any, at the date of default. Risks also arise from potential losses from adverse market movements and such losses could exceed the related amounts shown in the Statement of Assets & Liabilities.

Cash collateral for swap agreements, if applicable, is deposited with the broker serving as counterparty to the agreement, and is included in Due from (to) Broker on the Statement of Assets & Liabilities.

5. New Accounting Pronouncement: On March 19, 2008, Financial Accounting Standards Board released Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of SFAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of SFAS 161 and its impact on the financial statements has not yet been determined.

6. Fair Value Measurement: The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), effective January 1, 2008. In accordance with SFAS 157, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, pre-payment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008 in valuing the Fund's investments carried at value:

Valuation Inputs	Investments in Securities (000)	Other Financial Instruments*
Level 1 - Quoted Prices	\$	\$ 181
Level 2 - Other Significant Observable Inputs	242,562	(9,093)
Level 3 - Significant Unobservable Inputs	282	
Total	\$ 242,844	\$ (8,912)

Morgan Stanley Emerging Markets Debt Fund, Inc.

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Notes to Financial Statements (cont d)

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	Investments in Securities (000)	Other Financial Instruments* (000)
Balance as of 12/31/07		
Balance as of 12/31/07	\$ 422	\$
Accrued discounts/premiums	2	
Realized gain (loss)		
Change in unrealized appreciation (depreciation)	(142)	
Net purchases (sales)		
Net transfers in and/or out of Level 3		
Balance as of 6/30/08	\$ 282	\$
The amount of total realized gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at 6/30/08	\$ (142)	\$

*Other financial instruments include futures, forwards, reverse repurchase agreements and swap contracts.

7. **Other:** Security transactions are accounted for on the date the securities are purchased or sold. Realized gains (losses) on the sale of investment securities are determined on the specific identified cost basis. Interest income is recognized on the accrual basis and discounts and premiums on investments purchased are accreted or amortized in accordance with the effective yield method over their respective lives, except where collection is in doubt. Dividend income and distributions are recorded on the ex-dividend date (except certain dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes.

B. Investment Advisory Fees: Morgan Stanley Investment Management Inc. (the Adviser or MS Investment Management) provides investment advisory services to the Fund under the terms of an Investment Advisory and Management Agreement (the Agreement). Under the Agreement, the Adviser is paid a fee computed weekly and payable monthly at an annual rate of 1.00% of the Fund s average weekly net assets.

C. Administration Fees: MS Investment Management also serves as Administrator to the Fund pursuant to an Administration Agreement. Under the Administration Agreement, the administration fee is 0.08% of the Fund s

average weekly net assets. MS Investment Management has agreed to limit the administration fee so that it will be no greater than the previous administration fee of 0.02435% of the Fund's average weekly net assets plus \$24,000 per annum. This waiver is voluntary and may be terminated at any time. For the six months ended June 30, 2008, approximately \$55,000 of administration fees were waived pursuant to this arrangement. Under a sub-administration agreement between the Administrator and JPMorgan Investor Services Co. (JPMIS), a corporate affiliate of JP Morgan Chase Bank, N.A., JPMIS provides certain administrative services to the Fund. For such services, the Administrator pays JPMIS a portion of the fee the Administrator receives from the Fund. Administration costs (including out-of-pocket expenses) incurred in the ordinary course of providing services under the administration agreement, except pricing services and extraordinary expenses, are covered under the administration fee.

D. Custodian Fees: JP Morgan Chase Bank, N.A. (the Custodian) and its affiliates serve as Custodian for the Fund. The Custodian holds cash, securities, and other assets of the Fund as required by the 1940 Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

The Fund has entered into an arrangement with its Custodian whereby credits realized on uninvested cash balances were used to offset a portion of the Fund's expenses. These custodian credits are shown as Expense Offset on the Statement of Operations.

E. Federal Income Taxes: It is the Fund's intention to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements. The Fund files tax returns with the U.S. Internal Revenue Service and various states. Generally, the tax authorities can examine all tax returns filed for the last three years.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/ or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned.

The Fund adopted the provisions of the Financial Accounting Standards Board's (FASB) Interpretation number 48

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

Accounting for Uncertainty in Income Taxes (the Interpretation), on June 30, 2007. The Interpretation is to be applied to all open tax years as of the date of effectiveness. As of June 30, 2008, this did not result in an impact to the Fund's financial statements.

The tax character of distributions paid may differ from the character of distributions shown on the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal 2007 and 2006 were as follows:

2007 Distributions		2006 Distributions	
Paid From:		Paid From:	
(000)		(000)	
Ordinary	Long-term	Ordinary	Long-term
Income	Capital	Income	Capital
	Gain		Gain
\$14,541	\$	\$16,993	\$

The amount and character of income and capital gain distributions to be paid by the Fund are determined in accordance with Federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These book/tax differences are considered either temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of income, gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions, foreign options, investment in certain fixed income securities, pay down reclass and expired capital loss carry forward, resulted in the following reclassifications among the components of net assets at December 31, 2007:

	Increase (Decrease)	
Accumulated		Accumulated
Undistributed		Net Realized
(Distributions in		Gain (Loss)
Excess of) Net		(000)
Investment		
Income (Loss)		Paid-in
(000)		Capital
		(000)

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\$ 672

\$1,002

\$(1,674)

At December 31, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income (000)	Undistributed Long-term Capital Gain (000)
\$1,384	\$

At June 30, 2008, the U.S. Federal income tax cost basis of securities was approximately \$242,420,000 and, accordingly, net unrealized appreciation for U.S. Federal income tax purposes was \$424,000 of which \$8,051,000 related to appreciated securities and \$7,627,000 related to depreciated securities.

At December 31, 2007, the Fund had a capital loss carry forward for U.S. Federal income tax purposes of approximately \$3,458,000 available to offset future capital gains, of which \$3,458,000 will expire on December 31, 2009. At December 31, 2007, the Fund had expired capital loss carry forward for U.S. Federal income tax purposes of approximately \$997,000. During the year ended December 31, 2007, the Fund utilized capital loss carry forward for U.S. Federal income tax purposes of approximately \$12,138,000.

To the extent that capital loss carry forwards are used to offset any future capital gains realized during the carryover period as provided by U.S. Federal income tax regulations, no capital gains tax liability will be incurred by the Fund for gains realized and not distributed. To the extent that capital gains are offset, such gains will not be distributed to the stockholders.

F. Contractual Obligations: The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

G. Security Transactions and Transactions with Affiliates: The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Money Market Portfolio, an open-end management investment company managed by the Adviser. Investment Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of advisory and administration fees paid by the Morgan Stanley Institutional Liquidity Money Market Portfolio. For the six months ended June 30, 2008, advisory fees paid were reduced by approximately \$2,000 relating to the Fund's investment in the Morgan Stanley Institutional Liquidity Money Market Portfolio.

A summary of the Fund's transactions in shares of the affiliated issuer during the six months ended June 30, 2008 is as follows:

Market Value December 31, 2007 (000)	Purchases at Cost (000)	Sales Proceeds (000)	Dividend Income (000)	Market Value June 30, 2008 (000)
\$5,960	\$77,615	\$77,045	\$54	\$6,530

During the six months ended June 30, 2008, the Fund made purchases and sales totaling approximately \$80,962,000 and

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

\$82,667,000 respectively, of investment securities other than long-term U.S. Government securities, purchased options and short-term investments. There were no purchases or sales of long-term U.S. Government securities.

These investments may be traded by one market maker who may also be utilized by the Fund to provide pricing information used to value such securities. The amounts which will be realized upon disposition of the securities may differ from the value reflected on the Statement of Assets and Liabilities and the differences could be material.

H. Other: On June 19, 2007, the Directors approved a procedure whereby the Fund may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of the purchase.

On June 20, 2008 the Officers of the Fund, pursuant to authority granted by the Directors, declared a distribution of \$0.1550 per share, derived from net investment income, payable on July 15, 2008, to stockholders of record on June 30, 2008.

On October 8, 2007, the Fund commenced a share repurchase program for purposes of enhancing stockholder value and reducing the discount of which the Fund's shares traded from their net asset value. During the six months ended June 30, 2008, the Fund repurchased 342,971 of its shares at an average discount of 12.23% from net asset value per share. Since the inception of the program, the Fund has repurchased 573,566 of its shares at an average discount of 13.11% from net asset value per share. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Directors.

I. Supplemental Proxy Information: On June 19, 2008, an annual meeting of the Fund's stockholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Directors by all stockholders:

	For	Withhold
Kathleen A. Dennis	18,373,920	1,056,204
Joseph J. Kearns	18,373,169	1,056,955
Michael E. Nugent	18,357,852	1,072,272
Fergus Reid	18,365,225	1,064,899

For More Information About Portfolio Holdings

The Fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the Fund's second and fourth fiscal quarters. The semi-annual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. Morgan Stanley also delivers the semi-annual and annual reports to Fund stockholders and makes these reports available on its public website, www.morganstanley.com/msim. Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the Fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to stockholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, www.sec.gov. You may also review and copy them at the SEC's public reference room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at 1(800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov) or by writing the public reference section of the SEC, Washington, DC 20549-0102.

In addition to filing a complete schedule of portfolio holdings with the SEC each fiscal quarter, the Fund makes portfolio holdings information available by periodically providing the information on its public website, www.morganstanley.com/msim.

The Fund provides a complete schedule of portfolio holdings on the public website on a calendar-quarter basis approximately 31 calendar days after the close of the calendar quarter. The Fund also provides Top 10 holdings information on the public website approximately 15 business days following the end of each month. You may obtain copies of the Fund's monthly or calendar-quarter website postings, by calling 1(800) 231-2608.

Morgan Stanley Emerging Markets Debt Fund, Inc.

June 30, 2008 (unaudited)

Notes to Financial Statements (cont d)

Proxy Voting Policy and Procedures and Proxy Voting Record

A copy of (1) the Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities; and (2) how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, is available without charge, upon request, by calling 1 (800) 548-7786 or by visiting our website at www.morganstanley.com/msim. This information is also available on the SEC's website at www.sec.gov.

Morgan Stanley Emerging Markets Debt Fund, Inc.

Dividend Reinvestment and Cash Purchase Plan

Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the Plan), each stockholder will be deemed to have elected, unless Computershare Trust Company, N.A. (the Plan Agent) is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested in Fund shares. Participants in the Plan have the option of making additional voluntary cash payments to the Plan Agent, quarterly, in any amount from \$100 to \$3,000, for investment in Fund shares.

Dividend and capital gain distributions will be reinvested on the reinvestment date in full and fractional shares. If the market price per share equals or exceeds net asset value per share on the reinvestment date, the Fund will issue shares to participants at net asset value or, if net asset value is less than 95% of the market price on the reinvestment date, shares will be issued at 95% of the market price. If net asset value exceeds the market price on the reinvestment date, participants will receive shares valued at market price. The Fund may purchase shares of its Common Stock in the open market in connection with dividend reinvestment requirements at the discretion of the Board of Directors. Should the Fund declare a dividend or capital gain distribution payable only in cash, the Plan Agent will purchase Fund shares for participants in the open market as agent for the participants.

The Plan Agent's fees for the reinvestment of dividends and distributions will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred on any open market purchases effected on such participant's behalf. A participant will also pay brokerage commissions incurred on purchases made by voluntary cash payments. Although stockholders in the Plan may receive no cash distributions, participation in the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are participating in the Plan.

Stockholders who do not wish to have distributions automatically reinvested should notify the Plan Agent in writing. There is no penalty for non-participation or withdrawal from the Plan, and stockholders who have previously withdrawn from the Plan may rejoin at any time. Requests for additional information or any correspondence concerning the Plan should be directed to the Plan Agent at:

Morgan Stanley Emerging Markets Debt Fund, Inc.

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, Rhode Island 02940-3078

1(800) 231-2608

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Morgan Stanley Emerging Markets Debt Fund, Inc.

Morgan Stanley Institutional Closed-End Funds

An Important Notice Concerning Our

U.S. Privacy Policy (unaudited)

We are required by federal law to provide you with a copy of our Privacy Policy annually.

The following Policy applies to current and former individual investors in Morgan Stanley Institutional closed-end funds. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders. Please note that we may amend this Policy at any time, and will inform you of any changes to this Policy as required by law.

We Respect Your Privacy

We appreciate that you have provided us with your personal financial information. We strive to maintain the privacy of such information while we help you achieve your financial objectives. This Policy describes what non-public personal information we collect about you, why we collect it, and when we may share it with others. We hope this Policy will help you understand how we collect and share non-public personal information that we gather about you. Throughout this Policy, we refer to the non-public information that personally identifies you or your accounts as personal information.

1. What Personal Information Do We Collect About You?

To serve you better and manage our business, it is important that we collect and maintain accurate information about you. We may obtain this information from applications and other forms you submit to us, from your dealings with us, from consumer reporting agencies, from our Web sites and from third parties and other sources.

For example:

- We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.

- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.
- If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer's operating system and Web browser, your use of our Web sites and your product and service preferences, through the use of cookies. Cookies recognize your computer each time you return to one of our sites, and help to improve our sites' content and personalize your experience on our sites by, for example, suggesting offerings that may interest you. Please consult the Terms of Use of these sites for more details on our use of cookies.

2. When Do We Disclose Personal Information We Collect About You?

To provide you with the products and services you request, to serve you better and to manage our business, we may disclose personal information we collect about you to our affiliated companies and to non-affiliated third parties as required or permitted by law.

A. Information We Disclose to Our Affiliated Companies. We do not disclose personal information that we collect about you to our affiliated companies except to enable them to provide services on our behalf or as otherwise required or permitted by law.

Morgan Stanley Emerging Markets Debt Fund, Inc.

Morgan Stanley Institutional Closed-End Funds

An Important Notice Concerning Our

U.S. Privacy Policy (cont d)

B. Information We Disclose to Third Parties. We do not disclose personal information that we collect about you to non-affiliated third parties except to enable them to provide services on our behalf, to perform joint marketing agreements with other financial institutions, or as otherwise required or permitted by law. For example, some instances where we may disclose information about you to nonaffiliated third parties include: for servicing and processing transactions, to offer our own products and services, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information with these companies, they are required to limit their use of personal information to the particular purpose for which it was shared and they are not allowed to share personal information with others except to fulfill that limited purpose.

3. How Do We Protect the Security and Confidentiality of Personal Information We Collect About You?

We maintain physical, electronic and procedural security measures to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information. Third parties that provide support or marketing services on our behalf may also receive personal information, and we require them to adhere to confidentiality standards with respect to such information.

Morgan Stanley Emerging Markets Debt Fund, Inc.

Directors

Michael E. Nugent

Kevin Klingert
Vice President

Frank L. Bowman

Dennis F. Shea
Vice President

Michael Bozic

Kathleen A. Dennis

Amy R. Doberman
Vice President

James F. Higgins

Stefanie V. Chang Yu
Vice President

Dr. Manuel H. Johnson

Joseph J. Kearns

James W. Garrett
*Treasurer and Chief
Financial Officer*

Michael F. Klein

Carsten Otto
Chief Compliance Officer

W. Allen Reed

Fergus Reid

Mary E. Mullin
Secretary

Officers

Michael E. Nugent
*Chairman of the Board and
Director*

Ronald E. Robison
*President and Principal
Executive Officer*

Investment Adviser and Administrator

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York, New York 10036

Custodian

JPMorgan Chase Bank, N.A.

270 Park Avenue

New York, New York 10017

Stockholder Servicing Agent

Computershare Trust Company, N.A.

250 Royall Street

Canton, Massachusetts 02021

Legal Counsel

Clifford Chance US LLP

31 West 52nd Street

New York, New York 10019-6131

Independent Registered Public Accounting Firm

Ernst & Young LLP

200 Clarendon Street

Boston, Massachusetts 02116

For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call 1(800) 231-2608 or visit our website at www.morganstanley.com/msim. All investments involve risks, including the possible loss of principal.

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Item 2. Code of Ethics.

Not applicable for semiannual reports.

Item 3. Audit Committee Financial Expert.

Not applicable for semiannual reports.

Item 4. Principal Accountant Fees and Services

Not applicable for semiannual reports.

Item 5. Audit Committee of Listed Registrants.

Not applicable for semiannual reports.

Item 6. Schedule of Investments

(a) Refer to Item 1.

(b) Not used.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable for semiannual reports.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable only to annual reports filed by closed-end funds.

Item 9. Closed-End Fund Repurchases

Morgan Stanley Emerging Markets Debt Fund, Inc.*

Period	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
January	133,088	\$ 9.98	133,088	Unlimited
February	156,238	\$ 9.97	156,238	Unlimited
March	53,645	\$ 9.75	53,645	Unlimited
April				Unlimited
May				Unlimited
June				Unlimited

* The Share Repurchase Program commenced on 6/19/2007.

The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Board of Directors.

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

(a) The Fund's principal executive officer and principal financial officer have concluded that the Fund's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Fund in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

(a) Code of Ethics - Not applicable for semiannual reports.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto as part of EX-99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant)

Morgan Stanley Emerging Markets Debt Fund, Inc.

By: /s/ Ronald E. Robison

Name: Ronald E. Robison
Title: Principal Executive Officer
Date: August 15, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Ronald E. Robison

Name: Ronald E. Robison
Title: Principal Executive Officer
Date: August 15, 2008

By: /s/ James W. Garrett

Name: James W. Garrett
Title: Principal Financial Officer
Date: August 15, 2008
