

MORGAN STANLEY DEAN WITTER EMERGING MARKETS DEBT FUND INC

Form N-Q

November 29, 2006

[Annotated Form N-Q]

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

## FORM N-Q

### QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

#### MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-07694  
MORGAN STANLEY EMERGING MARKETS DEBT FUND, INC.  
(Exact name of registrant as specified in charter)  
1221 AVENUE OF THE AMERICAS 5th FLOOR NEW YORK, NY 10020  
(Address of principal executive offices) (Zip code)

RONALD E. ROBISON  
1221 AVENUE OF THE AMERICAS 5th FLOOR NEW YORK, NY, 10020  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-221-6726

Date of fiscal year end: 12/31

Date of reporting period: 9/30/06

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**Item 1. Schedule of Investments.**

The Fund's schedule of investment as of the close of the reporting period prepared pursuant to Rule 12-12 Regulation S-X is as follows:

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## Morgan Stanley Emerging Markets Debt Fund, Inc.

Third Quarter Report  
September 30, 2006 (unaudited)

## Portfolio of Investments

(Showing Percentages of Total Value of Investments)

|  | Face<br>Amount<br>(000) | Value<br>(000) |
|--|-------------------------|----------------|
| DEBT INSTRUMENTS (98.4%)                     |                         |                |
| Argentina (3.6%)                             |                         |                |
| Sovereign (3.6%)                             |                         |                |
| Republic of Argentina                        |                         |                |
| 5.83%, 12/31/33                              | \$ 16,530               | \$ 6,728       |
| 8.28%, 12/31/33                              | (a) 416                 | 399            |
| Republic of Argentina (Linked Variable Rate) |                         |                |
| 206.81%, 4/10/49                             | (b) 3,770               | 1,640          |
|  |                         | 8,767          |
| Brazil (10.8%)                               |                         |                |
| Corporate (0.7%)                             |                         |                |
| Banco ABN Amro Real S.A.                     |                         |                |
| Zero Coupon, 12/13/07                        | BRL 3,650               | 1,725          |
| Sovereign (10.1%)                            |                         |                |
| Citigroup, Inc.                              |                         |                |
| 6.00%, 5/18/09                               | \$ 2,000                | 2,006          |
| Federative Republic of Brazil                |                         |                |
| 8.00%, 1/15/18                               | 3,144                   | 3,462          |
| 8.88%, 10/14/19 - 4/15/24                    | 7,688                   | 9,150          |
| 10.50%, 7/14/14                              | 1,740                   | 2,191          |
| 14.50%, 10/15/09                             | 6,040                   | 7,565          |
|  |                         | 24,374         |
|  |                         | 26,099         |
| Bulgaria (1.6%)                              |                         |                |
| Sovereign (1.6%)                             |                         |                |
| Republic of Bulgaria                         |                         |                |
| 8.25%, 1/15/15                               | 1,699                   | 2,007          |
| Republic of Bulgaria (Registered)            |                         |                |
| 8.25%, 1/15/15                               | 1,490                   | 1,760          |
|  |                         | 3,767          |
| Chile (1.8%)                                 |                         |                |
| Corporate (1.8%)                             |                         |                |
| Empresa Nacional de Petroleo                 |                         |                |
| 6.75%, 11/15/12                              | (c) 4,170               | 4,409          |
| Colombia (3.2%)                              |                         |                |
| Sovereign (3.2%)                             |                         |                |
| Republic of Colombia                         |                         |                |
| 7.38%, 9/18/37                               | 2,040                   | 2,071          |
| 8.13%, 5/21/24                               | 1,420                   | 1,569          |
| 8.25%, 12/22/14                              | 1,040                   | 1,153          |
| 9.75%, 4/9/11                                | 1,264                   | 1,381          |

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|                                     |        |       |       |
|-------------------------------------|--------|-------|-------|
| 11.75%, 2/25/20                     |        | 1,075 | 1,510 |
|                                     |        |       | 7,684 |
| Ecuador (1.1%)                      |        |       |       |
| Sovereign (1.1%)                    |        |       |       |
| Republic of Ecuador                 |        |       |       |
| 9.38%, 12/15/15                     |        | 470   | 457   |
| 10.00%, 8/15/30                     | (d)    | 2,500 | 2,294 |
|                                     |        |       | 2,751 |
| Indonesia (3.5%)                    |        |       |       |
| Corporate (3.5%)                    |        |       |       |
| Pindo Deli Finance Mauritius        |        |       |       |
| Tranche A, 6.50%, 4/28/15           | (c)(e) | 1,521 | 1,164 |
| Tranche B, 6.50%, 4/28/18           | (e)    | 3,413 | 1,758 |
| Tranche C, 6.50%, 4/28/27           | (c)    | 6,884 | 861   |
| Tijiwi Kimia Finance Mauritius Ltd. |        |       |       |
| Tranche A, 6.50%, 4/28/15           | (e)    | 1,396 | 1,068 |

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|   |        |         |        |
|---|--------|---------|--------|
| Tranche A, 6.50%, 4/28/15                           | (c)(e) | 2,161   | 1,653  |
| Tranche B, 6.50%, 4/28/18                           | (c)(e) | 2,714   | 1,452  |
| Tranche C, 6.50%, 4/28/27                           | (c)    | 3,352   | 453    |
|   |        |         | 8,409  |
| Ivory Coast (0.2%)                                  |        |         |        |
| Sovereign (0.2%)                                    |        |         |        |
| Republic of Ivory Coast                             |        |         |        |
| 19.73%, 3/31/18                                     | (b)    | 2,045   | 521    |
| Malaysia (1.1%)                                     |        |         |        |
| Sovereign (1.1%)                                    |        |         |        |
| Government of Malaysia                              |        |         |        |
| 7.50%, 7/15/11                                      |        | 420     | 458    |
| 8.75%, 6/1/09                                       |        | 1,929   | 2,092  |
|   |        |         | 2,550  |
| Mexico (20.5%)                                      |        |         |        |
| Corporate (7.8%)                                    |        |         |        |
| Pemex Project Funding Master Trust                  |        |         |        |
| 6.69%, 6/15/10                                      | (c)(e) | 4,250   | 4,354  |
| 8.63%, 12/1/23                                      |        | 1,740   | 2,097  |
| 9.50%, 9/15/27                                      |        | 5,920   | 7,740  |
| 9.13%, 10/13/10                                     |        | 4,040   | 4,533  |
|   |        |         | 18,724 |
| Sovereign (12.7%)                                   |        |         |        |
| Mexican Bonos                                       |        |         |        |
| 8.00%, 12/17/15                                     | MXN    | 54,910  | 4,926  |
| 10.00%, 12/5/24                                     |        | 144,342 | 14,976 |
| United Mexican States                               |        |         |        |
| 7.50%, 1/14/12                                      | \$     | 1,700   | 1,870  |
| 8.13%, 12/30/19                                     |        | 2,174   | 2,614  |
| 8.38%, 1/14/11                                      |        | 4,400   | 4,921  |
| 11.50%, 5/15/26                                     |        | 828     | 1,313  |
|   |        |         | 30,620 |
|   |        |         | 49,344 |
| Nigeria (2.2%)                                      |        |         |        |
| Sovereign (2.2%)                                    |        |         |        |
| Central Bank of Nigeria Par Bond                    |        |         |        |
| 6.25%, 11/15/20                                     | (d)    | 2,750   | 2,743  |
| Central Bank of Nigeria Credit-Linked Mortgage Bond |        |         |        |
| 15.00%, 1/30/09                                     |        | 2,378   | 2,543  |
|   |        |         | 5,286  |
| Panama (2.6%)                                       |        |         |        |
| Sovereign (2.6%)                                    |        |         |        |
| Republic of Panama                                  |        |         |        |
| 7.13%, 1/29/26                                      |        | 1,910   | 2,010  |
| 7.25%, 3/15/15                                      |        | 700     | 751    |
| 9.38%, 4/1/29                                       |        | 1,890   | 2,447  |
| 9.63%, 2/8/11                                       |        | 906     | 1,040  |
|   |        |         | 6,248  |
| Peru (2.9%)   |        |         |        |
| Sovereign (2.9%)                                    |        |         |        |
| Republic of Peru                                    |        |         |        |
| 8.38%, 5/3/16                                       |        | 1,150   | 1,331  |
| 8.75%, 11/21/33                                     |        | 3,130   | 3,850  |
| 9.88%, 2/6/15                                       |        | 1,385   | 1,721  |
|   |        |         | 6,902  |
| Philippines (12.3%)                                 |        |         |        |
| Sovereign (12.3%)                                   |        |         |        |
| Republic of Philippines                             |        |         |        |

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|  |        |        |        |
|--|--------|--------|--------|
| 8.88%, 3/17/15   | (h)    | 10,980 | 12,572 |
| 9.00%, 2/15/13   |        | 2,240  | 2,528  |
| 9.50%, 2/2/30  |        | 9,365  | 11,566 |
| 10.63%, 3/16/25  |        | 2,080  | 2,782  |
|  |        |        | 29,448 |
| Qatar (0.8%)   |        |        |        |
| Sovereign (0.8%)   |        |        |        |
| State of Qatar (Registered)  |        |        |        |
| 9.75%, 6/15/30   |        | 1,260  | 1,868  |
| <hr/>  |        |        |        |
| Russia (15.1%)   |        |        |        |
| Corporate (3.3%)   |        |        |        |
| Gaz Capital for Gazprom  |        |        |        |
| 8.63%, 4/28/34   |        | 3,670  | 4,571  |
| RSHB Capital S.A. for OJSC Russian Agricultural Bank                   |        |        |        |
| 7.18%, 5/16/13   | (c)    | 2,800  | 2,919  |
| 7.18%, 5/16/13   |        | 270    | 281    |
|  |        |        | 7,771  |
| Sovereign (11.8%)  |        |        |        |
| Russian Federation   |        |        |        |
| 5.00%, 3/31/30   | (c)(d) | 3,384  | 3,780  |
| Russian Federation (Registered)  |        |        |        |
| 5.00%, 3/31/30   | (d)    | 5,000  | 5,584  |
| 8.25%, 3/31/10   |        | 3,098  | 3,262  |
| 11.00%, 7/24/18  |        | 5,901  | 8,490  |
| 12.75%, 6/24/28  |        | 4,080  | 7,329  |
|  |        |        | 28,445 |
|  |        |        | 36,216 |
| South Africa (0.6%)  |        |        |        |
| Sovereign (0.6%)   |        |        |        |
| Republic of South Africa   |        |        |        |
| 13.50%, 9/15/15  | ZAR    | 9,075  | 1,522  |
| Trinidad (1.0%)  |        |        |        |
| Corporate (1.0%)   |        |        |        |
| National Gas of Trinidad & Tobago, Ltd.                                |        |        |        |
| 6.05%, 1/15/36   | (c) \$ | 2,369  | 2,282  |
| Tunisia (0.3%)   |        |        |        |
| Sovereign (0.3%)   |        |        |        |
| Banque Centrale de Tunisie   |        |        |        |
| 7.38%, 4/25/12   |        | 750    | 817    |
| Turkey (6.8%)  |        |        |        |
| Sovereign (6.8%)   |        |        |        |
| Citigroup Global Markets Holdings, Inc.<br>(Turkish Lira Index Linked) |        |        |        |
| Zero Coupon, 6/28/07   |        | 6,120  | 5,641  |
| J.P. Morgan Chase & Co.  |        |        |        |
| Zero Coupon, 6/27/07   |        | 5,309  | 4,558  |
| Republic of Turkey   |        |        |        |
| 7.00%, 9/26/16   |        | 2,920  | 2,876  |
| 11.00%, 1/14/13  |        | 2,470  | 2,984  |
| 11.50%, 1/23/12  |        | 320    | 387    |
|  |        |        | 16,446 |
| Venezuela (6.4%)   |        |        |        |
| Sovereign (6.4%)   |        |        |        |
| Republic of Venezuela  |        |        |        |
| 8.50%, 10/8/14   |        | 1,510  | 1,676  |
| 9.38%, 1/13/34   |        | 2,732  | 3,384  |
| 10.75%, 9/19/13  |        | 8,330  | 10,204 |

|                        |         |
|------------------------|---------|
|                        | 15,264  |
| TOTAL DEBT INSTRUMENTS |         |
| (Cost \$228,718)       | 236,600 |

|  |        | No. of<br>Warrants |       |
|--|--------|--------------------|-------|
| WARRANTS (0.9%)                                      |        |                    |       |
| Argentina (0.5%)                                     |        |                    |       |
| Republic of Argentina                                |        |                    |       |
| expiring 12/15/35                                    | (a)(g) | 1,182,042          | 118   |
| expiring 12/15/35                                    | (g)    | 37,715,134         | 1,111 |
|  |        |                    | 1,229 |
| Nigeria (0.2%)                                       |        |                    |       |
| Central Bank of Nigeria                              |        |                    |       |
| expiring 11/15/20                                    | (g)    | 3,000              | 600   |
| Venezuela (%)  |        |                    |       |
| Republic of Venezuela Oil-Linked Payment Obligation, |        |                    |       |
| expiring 4/15/20                                     | (g)    | 11,350             | 409   |
| TOTAL WARRANTS                                       |        |                    |       |
| (Cost \$589)   |        |                    | 2,238 |

|  | Face<br>Amount<br>(000) |
|--|-------------------------|
| <b>SHORT-TERM INVESTMENT (0.7%)</b>  |                         |
| United States (0.7%)   |                         |
| Repurchase Agreement (0.7%)  |                         |
| J.P. Morgan Securities, Inc., 5.25%,<br>dated 9/29/06, due 10/2/06,<br>repurchase price \$1,738 (Cost \$1,737) | (f) \$ 1,737            |
| <b>TOTAL INVESTMENTS + (100.0%)</b><br>(Cost \$231,044)  | 240,575                 |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS</b>   | (3,040)                 |
| <b>NET ASSETS</b>  | \$ 237,535              |

- (a) Security was valued at fair value. At September 30, 2006, the Fund held \$517,000 of fair valued securities, representing 0.2% of net assets.
- (b) Issuer is in default.
- (c) 144A Security Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.
- (d) Step Bond - coupon rate increases in increments to maturity. Rate disclosed is as of September 30, 2006. Maturity date disclosed is ultimate maturity.
- (e) 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 September 30, 2006.
- (f) Represents the Fund's undivided interest in a joint repurchase agreement which has a total value of \$1,401,259,000. The repurchase agreement was fully collateralized by U.S. government agency securities at the date of this Portfolio of Investments as follows: Federal Farm Credit Bank, 0.00% to 7.43%, due 10/2/06 to 10/23/35; Federal Home Loan Bank, 0.00% to 6.94%, due 10/2/06 to 7/15/36; Federal Home Loan Mortgage Corporation, 0.00% to 6.94%, due 10/10/06 to 9/7/21; Federal National Mortgage Association, 0.00% to 10.35%, due 10/5/06 to 3/11/19; Tennessee Valley Authority, 5.38% to 7.13%, due 11/13/08 to 4/1/36 which had a total value of \$1,429,288,878. The investment in the repurchase agreement is through participation in a joint account with affiliated parties pursuant to exemptive relief received by the Fund from the SEC.
- (g) Non-income producing.
- (h) Denotes all or a portion of securities subject to repurchase under the Reverse Repurchase Agreements as of September 30, 2006.
- BRL Brazilian Real  
 MXN Mexican Peso  
 ZAR South African Rand
- + At September 30, 2006, the U.S. Federal income tax cost basis of investments was approximately \$231,044,000 and, accordingly, net unrealized appreciation for U.S. Federal income tax purposes was \$9,531,000 of which \$19,728,000 related to appreciated securities and \$10,197,000 related to depreciated securities.



**Futures Contracts:**

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

|               | Number<br>of<br>Contracts | Value<br>(000) | Expiration Date | Net<br>Unrealized<br>Appreciation<br>(Depreciation)<br>(000) |
|---------------|---------------------------|----------------|-----------------|--|
| <b>Short:</b> |                           |                |                 |  |
| U.S. Treasury |                           |                |                 |  |
| 2 yr. Note    | 364                       | \$ 74,438      | Dec-06          | \$ (227)   |

**Item 2. 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-Q 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 Fund's internal control over financial reporting that occurred during the registrant's fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

**Item 3. Exhibits.**

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**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: November 21, 2006

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: November 21, 2006

By: /s/ James Garrett

Name: James Garrett  
Title: Principal Financial Officer  
Date: November 21, 2006

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