Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.
Form N-CSR
January 10, 2011

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 811-22011

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

522 Fifth Avenue, New York, New York	10036
(Address of principal executive offices)	(Zip code)

Sara Furber
522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant s telephone number, including area code: 212-296-6990

Date of fiscal year end: October 31, 2010

Date of reporting period: October 31, 2010

Item 1 - Report to Shareholders

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

Directors

Michael E. Nugent

Frank L. Bowman

Michael Bozic

Kathleen A. Dennis

James F. Higgins

Dr. Manuel H. Johnson

Joseph J. Kearns

Michael F. Klein

W. Allen Reed

Fergus Reid

Stefanie V. Chang Yu

Vice President

Francis J. Smith

Treasurer and Principal
Financial Officer

Mary Ann Picciotto

Chief Compliance Officer

Mary E. Mullin

Secretary

INVESTMENT MANAGEMENT

Morgan Stanley

Emerging Markets Domestic

Debt Fund, Inc. (EDD)

Officers

Michael E. Nugent

Chairman of the Board and Director

Sara Furber

President and Principal Executive Officer

Investment Adviser and Administrator

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York, New York 10036

Custodian

State Street Bank and Trust Company

One Lincoln Street

Boston, Massachusetts 02111-2101

Stockholder Servicing Agent

Computershare Trust Company, N.A.

250 Royall Street

Canton, Massachusetts 02021

Legal Counsel

Dechert LLP

1095 Avenue of the Americas

New York, New York 10036

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 toll free 1 (800) 231-2608 or visit our website at www.morganstanley.com/im. All investments involve risks, including the possible loss of principal.

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Morgan Stanley

Investment Management Inc.

Investment Adviser

Annual
Report

October 31, 2010

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

Overview (unaudited)

Letter to Stockholders

Performance

For the year ended October 31, 2010, the Morgan Stanley Emerging Markets Domestic Debt Fund, Inc. (the "Fund") had total returns of 23.83%, based on net asset value, and 35.60% based on market value per share (including reinvestment of distributions), compared to its benchmark, the J.P. Morgan Government Bond Index Emerging Markets Global Diversified Index (the "Index"), which returned 19.81%. On October 31, 2010, the closing price of the Fund's shares on the New York Stock Exchange was $17.29, representing a 6.9% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

• Toward the end of 2009, emerging market (EM) debt performance was supported by solid fundamentals. Economic recovery appeared to be underway and financial risks in the system were reduced. This was a period of consolidation in the wake of the financial crises of 2008, not only from an economic point of view, but also from an asset performance point of view with a more "normal" rate of return (that is, single-digit or low double-digit annualized returns).

• The first quarter of 2010 was a good period for fixed income assets, which were supported by a positive macro backdrop of benign economic data and unchanged monetary policy in the G-3. In addition, important policy decisions influenced global markets including the passage of health care reform in the U.S. and Europe's coordinated response to fiscal crises in its peripheral markets. Against this backdrop, EM debt strongly outperformed developed fixed income markets in the first quarter. This trend is expected to continue given emerging economies' more pronounced recovery and robust fundamentals. Flows into EM bonds reached record levels, bolstered by the outperformance of EM economies and by investors' search for higher-yielding assets.

• Financial markets were choppy during the second quarter of 2010, as investors focused on the unfolding crisis in peripheral Europe. Worries over a double-dip recession and banking sector struggles in the developed world, as well as tighter monetary policy in certain emerging market countries, overshadowed the generally strong fundamentals in the U.S. and most of the emerging world. While we believed problems in the developed markets should have limited impact in the emerging markets, we also believed that lingering uncertainty in financial markets would be increasingly likely to have a measurable impact on global macroeconomic performance, particularly on growth. That said, we viewed the movement toward normalization of monetary policy by several emerging market central banks as highlighting the relative strength of most emerging economies.

• During the third quarter of 2010, the performance of emerging market debt was driven primarily by economic and policy developments in the developed world, particularly expectation for policy responses (mainly quantitative easing) to continued economic uncertainty in developed economies. Emerging market central banks slowed the pace of interest rate hikes as growth softened from very robust levels and inflation remained stable. We think the risk that emerging market countries will adopt capital controls has risen. Brazil and Thailand raised taxes on capital inflows in the third quarter. However, emerging markets continued to benefit from strong portfolio inflows, a trend that we believe is likely to be longer lasting and structural than many previously thought.

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

Overview (unaudited)

Letter to Stockholders (cont'd)

• For the year ended October 31, 2010, the Fund outperformed the Index, mainly due to yield curve positioning in Mexico, Brazil, Indonesia and Turkey. Security selection in Colombian local debt also aided returns. Conversely, yield curve posture in Poland, Thailand and currency exposure in Mexico detracted from relative returns.

Management Strategies

• We expect subdued growth in the developed world in 2010-11, as household and financial institutions continue to repair their balance sheets. Unresolved fiscal sustainability issues in the periphery of Europe and in some U.S. states could have an impact on risk appetite in the remainder of 2010 and in 2011. Additionally, uncertainty regarding the nature and magnitude of policy response to the lower than desired growth and inflation in the developed world is likely to continue affecting EM debt markets in coming months.

• However, our strategy remains predicated on a benign growth outlook for the emerging world in the fourth quarter of 2010 and in 2011, reflecting strong domestic growth, supportive terms of trade and large capital inflows. Policy rates, will in our view, remain lower for longer in the developed world, while we expect EM countries to hike rates at a slower pace than previously anticipated.

• The implementation of another round of quantitative easing (QE2) by the U.S. Federal Reserve (the Fed) may end up reducing real rates to near zero in the longer end of the U.S. Treasury curve, and could have an impact on both inflation and inflation expectations in the U.S. At the same time, there is a risk that this new round of monetary easing in the developed world could exert undue pressure on commodity prices and EM nominal exchange rates, exacerbating inflationary pressures in the EM world. In such an environment, more EM countries could impose harder capital controls to avoid a further appreciation of their currencies.

• The strong fundamentals in the emerging markets appear to be mostly priced in by the markets. Higher carry and continued portfolio flows (particularly after the Fed implementation of QE2) will support EM currencies. However, our valuation models point to many EM currencies being near fair value at current levels.

Sincerely,

Sara Furber
President and Principal Executive Officer November 2010

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010 (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 Adviser (as defined herein) 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 Adviser under the administration agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities at the Adviser's expense. (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 and supported its decision to approve the Management Agreement.

Performance, Fees and Expenses of the Fund

The Board reviewed the performance, fees and expenses of the Fund compared to its peers, as determined by Lipper, and to appropriate benchmarks where applicable. The Board discussed with the Adviser the performance goals and the actual results achieved in managing the Fund. When considering a fund's performance, the Board and the Adviser place emphasis on trends and longer-term returns (focusing on one-year, three-year and five-year performance as of December 31, 2009, or since inception, as applicable). When a fund underperforms its benchmark and/or its peer group average, the Board and the Adviser discuss the causes of such underperformance and, where necessary, they discuss specific changes to investment strategy or investment personnel. The Board noted that the Fund's performance was below its peer group average for the one-year period and since April 24, 2007 (the Fund's inception). The Board discussed with the Adviser the level of the advisory and administration fees (together, the "management fee") for this Fund relative to comparable funds advised by the Adviser and compared to its peers as determined by Lipper. In addition to the management fee, the Board also reviewed the Fund's total expense ratio. The Board noted that while the Fund's management fee was higher than its peer group average, the total expense ratio was lower than its peer group average. After discussion, the Board concluded that: (i) the Portfolio's performance was acceptable; (ii) the management fee, although higher than its peer group average, was acceptable given the quality and nature of services provided; and (iii) the total expense ratio was competitive with its peer group average.

Economies of Scale

The Board considered the size and growth prospects of the Fund and how that relates to the Fund's total expense ratio and particularly the Fund's management fee rate, which does not include breakpoints. In conjunction with its review of the Adviser's profitability, the Board discussed with the Adviser how a change in assets can affect the efficiency or effectiveness of managing the Fund and whether the management fee level is appropriate relative to current and projected asset levels and/or whether the management fee structure reflects economies of scale as asset levels change. The Board considered that, with respect to closed-end funds, the assets are not likely

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010 (unaudited)

Investment Advisory Agreement Approval (cont'd)

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 its 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. The Board has determined that its review of the analysis of the Adviser's expenses and profitability supports its decision to approve the Management Agreement.

Other Benefits of the Relationship

The Board considered other benefits to the Adviser and its affiliates derived from their relationship with the Fund and other funds advised by the Adviser. These benefits may include, among other things, "float" benefits derived from handling of checks for purchases and sales, research received by the Adviser generated from commission dollars spent on funds' portfolio trading and fees for distribution and/or shareholder servicing. The Board reviewed with the Adviser each of these arrangements and the reasonableness of the Adviser's costs relative to the services performed. The Board has determined that its review of the other benefits received by the Adviser or its affiliates supports its decision to approve the Management Agreement.

Resources of the Adviser and Historical Relationship Between the Fund and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. 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 the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and 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. In reaching this conclusion the Board did not give particular weight to any single factor referenced above. The Board considered these factors over the course of numerous meetings, some of which were in executive session with only the Independent Board members and their counsel present. It is possible that individual Board members may have weighed these factors differently in reaching their individual decisions to approve the Management Agreement.

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Portfolio of Investments

(Showing Percentage of Total Value of Investments)

		Face Amount (000)		Value (000)
FIXED INCOME SECURITIES (97.3%)				
Brazil (16.3%)				
Sovereign (16.3%)				
Brazil Notas do Tesouro Nacional, Series F, 10.00%, 1/1/14 - 1/1/17	BRL	477,658	$	263,809
Colombia (3.8%)				
Sovereign (3.8%)				
Republic of Colombia, 9.85%, 6/28/27	COP	46,000,000		37,503
12.00%, 10/22/15		33,000,000		24,237
				61,740
Egypt (1.9%)				
Sovereign (1.9%)				
UBS AG Jersey Branch, 12.60%, 2/22/17	EGP	175,300		30,265
Hungary (10.7%)				
Sovereign (10.7%)				
Republic of Hungary, 6.75%, 2/24/17	HUF	13,796,620		70,146
7.25%, 6/12/12		776,500		4,055
8.00%, 2/12/15		18,329,840		98,247
				172,448
Indonesia (12.0%)				
Corporate (0.3%)				
Pindo Deli Finance Mauritius, Tranche A, Zero Coupon, 4/28/15 (a)(b)(c)	$	137		33
Tranche A, Zero Coupon, 4/28/15 (a)(b)(c)(d)		1,391		341
Tranche B, Zero Coupon, 4/28/18 (a)(b)(c)(d)		8,336		917
Tranche C, Zero Coupon, 4/28/27 (a)(b)(c)(d)		2,227		50
Tjiwi Kimia Finance Mauritius Ltd., Tranche A, Zero Coupon, 4/28/15 (a)(b)(c)		627		157
Tranche A, Zero Coupon, 4/28/15 (a)(b)(c)(d)		4,152		1,038

Tranche B, Zero Coupon, 4/28/18 (a)(b)(c)(d)		9,360		1,825
Tranche C, Zero Coupon, 4/28/27 (a)(b)(c)(d)		998		35
				4,396

		Face Amount (000)		Value (000)
Sovereign (11.7%)				
Barclays Bank PLC, Indonesia Government Bonds, Credit Linked Notes, 10.00%, 7/17/17	IDR	600,000,000	$	78,143
Credit Suisse, Indonesia Government Bonds, Credit Linked Notes, 10.00%, 7/17/17		154,683,530		20,137
Deutsche Bank AG, Republic of Indonesia Government Bond, Credit Linked Notes, 11.00%, 12/15/20		60,000,000		8,406
11.50%, 9/23/19 (d)		235,000,000		33,501
12.80%, 6/22/21		150,000,000		23,278
JPMorgan Chase Bank, London, Indonesia Government Bonds, Credit Linked Notes, 10.00%, 7/19/17 (a)		192,525,000		25,132
				188,597
				192,993
Malaysia (4.2%)				
Sovereign (4.2%)				
Government of Malaysia, 3.83%, 9/28/11	MYR	55,030		17,834
3.84%, 8/12/15		110,000		35,951
5.09%, 4/30/14		42,152		14,314
				68,099
Mexico (16.6%)				
Sovereign (16.6%)				
Mexican Bonos, 7.75%, 12/14/17	MXN	515,924		46,733
8.00%, 12/17/15		101,200		9,107
9.50%, 12/18/14		360,000		33,740
10.00%, 12/5/24 - 11/20/36		1,628,375		178,572
				268,152
Peru (1.0%)				
Sovereign (1.0%)				
Peru Government Bond, 7.84%, 8/12/20	PEN	37,745		15,844

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

		Face Amount (000)		Value (000)
South Africa (9.2%)				
Sovereign (9.2%)				
Republic of South Africa,				
7.25%, 1/15/20	ZAR	938,200	$	128,940
8.00%, 12/21/18		140,000		20,363
				149,303
Thailand (5.2%)				
Sovereign (5.2%)				
Kingdom of Thailand,				
4.25%, 3/13/13	THB	1,597,940		55,609
5.25%, 7/13/13 - 5/12/14		795,100		28,653
				84,262
Turkey (16.4%)				
Sovereign (16.4%)				
Republic of Turkey,				
Zero Coupon, 5/11/11 - 1/25/12	TRY	367,998		243,724
10.00%, 2/15/12		18,354		14,412
16.00%, 3/7/12		9,340		7,215
				265,351
TOTAL FIXED INCOME SECURITIES				
(Cost $1,447,500)				1,572,266
LOANS (2.1%)				
Colombia (1.0%)				
Corporate (1.0%)				
MFI WWB Cali,				
12.50%, 2/28/11 (a)(c)(e)	COP	15,103,760		8,212
MFI WWB Popoyan,				
12.50%, 2/28/11 (a)(c)(e)		13,215,790		7,185
				15,397
Kazakhstan (0.1%)				
Corporate (0.1%)				
MFI KMF,				
15.50%, 2/28/11 (a)(c)(e)	KZT	315,247		2,093
Mexico (0.8%)				
Corporate (0.8%)				
MFI Finsol,				
14.00%, 2/28/11 (a)(c)(e)	MXN	161,685		13,094

		Face Amount (000)	Value (000)
Peru (0.2%)			
Corporate (0.2%)			
MFI Confranz,			
10.40%, 2/28/11 (a)(c)(e)	PEN	8,671	$ 3,099
TOTAL LOANS (Cost $35,681)			33,683
		Shares	
SHORT-TERM INVESTMENT (0.6%)			
Investment Company (0.6%)			
Morgan Stanley Institutional			
Liquidity Funds Money Market			
Portfolio Institutional Class			
(See Note F) (Cost $9,674)		9,673,934	9,674
TOTAL INVESTMENTS (100.0%) (Cost $1,492,855)			1,615,623
LIABILITIES IN EXCESS OF OTHER ASSETS			(269,954)
NET ASSETS			$ 1,345,669

(a) Variable/Floating Rate Security Interest rate changes on these instruments are based on changes in a designated base rate. The rates shown are those in effect on October 31, 2010.

(b) Issuer is in default.

(c) Security has been deemed illiquid at October 31, 2010.

(d) 144A security Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

(e) At October 31, 2010, the Fund held approximately $33,683,000 of fair valued securities, representing 2.5% of net assets. These securities have been fair valued as determined in good faith under procedures established by and under the general supervision of the Fund's Directors.

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Portfolio of Investments (cont'd)

Foreign Currency Exchange Contracts Information:

The Fund had the following foreign currency exchange contract(s) open at period end:

Counterparty	Currency to Deliver (000)		Value (000)	Settlement Date	In Exchange For (000)		Value (000)	Net Unrealized Appreciation (Depreciation) (000)
JPMorgan Chase	BRL	111,810	$ 65,759	11/3/10	USD	64,806	$ 64,806	$ (953)
JPMorgan Chase	USD	65,233	65,233	11/3/10	BRL	111,810	65,759	526
JPMorgan Chase	ZAR	123,930	17,686	11/4/10	USD	17,580	17,580	(106)
JPMorgan Chase	USD	48,116	48,116	11/12/10	THB	1,443,730	48,144	28
JPMorgan Chase	USD	64,244	64,244	11/15/10	MYR	199,990	64,219	(25)
JPMorgan Chase	USD	72,047	72,047	11/22/10	RUB	2,195,230	71,060	(987)
JPMorgan Chase	TRY	90,270	62,632	11/29/10	USD	62,979	62,979	347
JPMorgan Chase	MXN	827,080	66,857	12/1/10	USD	66,598	66,598	(259)
JPMorgan Chase	BRL	111,810	65,356	12/2/10	USD	64,833	64,833	(523)
			$ 527,930				$ 525,978	$ (1,952)

BRL Brazilian Real

COP Colombian Peso

EGP Egyptian Pound

HUF Hungarian Forint

IDR Indonesian Rupiah

KZT Kazakhstan Tenge

MXN Mexican New Peso

MYR Malaysian Ringgit

PEN Peruvian Nuevo Sol

RUB Russian Ruble

THB Thai Baht

TRY	Turkish Lira
USD	United States Dollar
ZAR	South African Rand

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Portfolio of Investments (cont'd)

Fair Value Measurement Information:

The following is a summary of the inputs used to value the Portfolio's net assets as of October 31, 2010. (See Notes A-5 to the financial statements for further information regarding fair value measurement.)

Investment Type	**Level 1** Quoted prices (000)	**Level 2** Other significant observable inputs (000)	**Level 3** Significant unobservable inputs (000)	**Total** (000)
Assets:				
Fixed Income Securities				
Corporate Bonds	$	$ 4,396	$	$ 4,396
Sovereign		1,567,870		1,567,870
Total Fixed Income Securities		**1,572,266**		**1,572,266**
Loans			33,683	33,683
Short-Term Investment				
Investment Company	9,674			9,674
Foreign Currency Exchange Contracts		901		901
Total Assets	**$ 9,674**	**$ 1,573,167**	**$ 33,683**	**$ 1,616,524**
Liabilities:				
Foreign Currency Exchange Contracts		2,853		2,853
Total	**$ 9,674**	**$ 1,570,314**	**$ 33,683**	**$ 1,613,671**

Fair Value Measurement Information: (cont'd)

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

	Loans (000)
Balance as of 10/31/09	$ 35,146
Accrued discounts/premiums	
Realized gain (loss)	(887)
Change in unrealized appreciation (depreciation)	3,425
Net purchases (sales)	(4,001)
Transfers in to Level 3	
Transfers out of Level 3	
Balance as of 10/31/10	$ 33,683
The amount of total gains (losses) for the period included in earnings attributable to	$ 3,425

the change in unrealized gains (losses)
relating to assets and liabilities still held
at Level 3 at 10/31/10.

Portfolio Composition

Classification	Percentage of Total Investments
Sovereign	97.0%
Other*	2.4
Short-Term Investments	0.6
Total Investments	100.0%

* Industries representing less than 5% of total investments.

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Financial Statements

Statement of Assets and Liabilities		October 31, 2010 (000)
Assets:		
Investments in Securities of Unaffiliated Issuers, at Value (Cost $1,483,181)	$	1,605,949
Investment in Security of Affiliated Issuer, at Value (Cost $9,674)		9,674
Total Investments in Securities, at Value (Cost $1,492,855)		1,615,623
Foreign Currency, at Value (Cost $4,814)		4,818
Interest Receivable		37,692
Receivable for Lehman Brothers Closed Reverse Repurchase Transactions		3,268
Unrealized Appreciation on Foreign Currency Exchange Contracts		901
Receivable from Affiliate		2
Other Assets		688
Total Assets		1,662,992
Liabilities:		
Payable for Line of Credit		312,392
Unrealized Depreciation on Foreign Currency Exchange Contracts		2,853
Payable for Investment Advisory Fees		1,450
Payable for Custodian Fees		249
Payable for Professional Fees		136
Payable for Administration Fees		116
Payable for Stockholder Servicing Agent Fees		2
Other Liabilities		125
Total Liabilities		317,323
Net Assets Applicable to 72,431,536 Issued and Outstanding $.01 Par Value Shares (100,000,000 Shares Authorized)	$	1,345,669
Net Asset Value Per Share	$	18.58
Net Assets Consist of:		
Common Stock	$	724
Paid-in-Capital		1,303,493
Distributions in Excess of Net Investment Income		(10,657)
Accumulated Net Realized Loss		(69,916)
Unrealized Appreciation (Depreciation) on:		
Investments		122,768
Foreign Currency Exchange Contracts		(1,952)
Foreign Currency Translations		1,209
Net Assets	$	1,345,669

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Financial Statements (cont'd)

Statement of Operations		Year Ended October 31, 2010 (000)
Investment Income:		
Interest from Securities of Unaffiliated Issuers (Net of $270 Foreign Taxes Withheld)	$	133,933
Dividends from Security of Affiliated Issuer		28
Total Investment Income		133,961
Expenses:		
Investment Advisory Fees (Note B)		15,397
Administration Fees (Note C)		1,232
Custodian Fees (Note D)		1,144
Administrative Fees on Line of Credit (Note G)		1,135
Professional Fees		282
Stockholder Reporting Expenses		176
Commitment Fee (Note G)		126
Directors' Fees and Expenses		33
Stockholder Servicing Agent Fees		8
Other Expenses		393
Expenses Before Non Operating Expenses		19,926
Interest Expense on Line of Credit (Note G)		7,982
Interest Expense on Reverse Repurchase Agreements		97
Bank Overdraft Expense		@
Total Expenses		28,005
Rebate from Morgan Stanley Affiliate (Note F)		(16)
Net Expenses		27,989
Net Investment Income		105,972
Realized Gain (Loss):		
Investments Sold		22,578
Foreign Currency Exchange Contracts		(13,023)
Foreign Currency Transactions		2,227
Futures Contracts		(461)
Net Realized Gain		11,321
Change in Unrealized Appreciation (Depreciation):		
Investments		142,219
Foreign Currency Exchange Contracts		(177)
Foreign Currency Translations		851
Futures Contracts		881
Net Change in Unrealized Appreciation (Depreciation)		143,774
Total Net Realized Gain (Loss) and Change in Unrealized Appreciation (Depreciation)		155,095
Net Increase in Net Assets Resulting from Operations	$	261,067

@ Amount is less than $500.

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Financial Statements (cont'd)

Statements of Changes in Net Assets	Year Ended October 31, 2010 (000)	Year Ended October 31, 2009 (000)
Increase (Decrease) in Net Assets		
Operations:		
Net Investment Income	$ 105,972	$ 99,803
Net Realized Gain (Loss)	11,321	(91,724)
Net Change in Unrealized Appreciation (Depreciation)	143,774	338,396
Net Increase in Net Assets Resulting from Operations	261,067	346,475
Distributions from and/or in Excess of:		
Net Investment Income	(86,918)	(36,497)
Return of Capital		(54,324)
Total Distributions	(86,918)	(90,821)
Capital Share Transactions:		
Repurchase of Shares (0 and 853,200 shares)		(8,096)
Net Decrease in Net Assets Resulting from Capital Share Transactions		(8,096)
Total Increase	174,149	247,558
Net Assets:		
Beginning of Period	1,171,520	923,962
End of Period (Including Distributions in Excess of Net Investment Income of $(10,657) and $(1,364))	$ 1,345,669	$ 1,171,520

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

Morgan Stanley Emerging Markets Domestic Debt Fund, Inc.

October 31, 2010

Financial Statements (cont'd)

Statement of Cash Flows		Year Ended October 31, 2010 (000)
Cash Flows From Operating Activities:		
Proceeds from Sales and Maturities of Long-Term Investments	$	675,736
Purchase of Long-Term Investments		(745,326)
Net (Increase) Decrease in Short-Term Investments		5,143
Net (Increase) Decrease in Foreign Currency Holdings		(2,945)
Net Realized Gain (Loss) for Foreign Currency Transactions		(10,796)
Net Realized Gain (Loss) on Futures Contracts		(461)
Net Investment Income		105,972
Adjustments to Reconcile Net Investment Income to Net Cash Provided (Used) by Operating Activities:		
Net (Increase) Decrease in Receivables Related to Operations		(4,837)
Net Increase (Decrease) in Payables Related to Operations		(649)
Accretion/Amortization of Discounts and Premiums		(22,989)
Net Cash Provided (Used) by Operating Activities		(1,152)
Cash Flows From Financing Activities:		
Cash Received for Reverse Repurchase Agreements		127,273
Cash Paid for Reverse Repurchase Agreements		(134,838)
Cash Paid for Line of Credit		95,500
Cash Distribution Paid		(86,918)
Net Cash Provided (Used) for Financing Activities		1,017
Net Increase (Decrease) in Cash		(135)
Cash at Beginning of Period		135
Cash at End of Period	$	
Supplemental Disclosure of Cash Flow Information:		
Interest Paid on Line of Credit during the Period	$	7,679
Interest Paid on Reverse Repurchase Agreements during the Period		103

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