Europe bolstered its anti-crisis arsenal, channeling 150 billion euros ($195 billion) to the International Monetary Fund as the European Central Bank widened its support for sagging bond markets.

Four countries not using the single currency also pledged to add to the IMF war chest while Britain refused to commit, in a sign of the difficulty of attracting outside cash to ease the euro area’s home-grown debt burdens. The U.K. will “define its contribution” in early 2012, euro finance ministers said in a Brussels statement after a conference call yesterday.

The IMF track is “obviously a small-scale solution,” former UBS AG Chairman Peter Kurer told Maryam Nemazee on Bloomberg Television’s “The Pulse” program. “What really would be needed in the ideal world would be euro bonds or a substitute which can bring large-scale liquidity and confidence into the markets.”

Germany continued to oppose an early decision to raise the limit of 500 billion euros on overall emergency aid. European leaders plan to tackle that question by March. Still, the IMF infusion and jump in ECB bond purchases indicated that Europe is wielding more money instead of relying on budget cuts alone to persuade investors to return to markets scarred by two years of burgeoning debt and threatened defaults.

Bundesbank’s Demand

Contributions to the Washington-based IMF were controversial inside and outside the 17-nation euro region. The most potent central bank among the euro users, Germany’s Bundesbank, coupled its 41.5 billion-euro input to a promise that the aid not be earmarked for Europe.

Such recycling would violate euro rules, inspired by the Bundesbank, that bar central banks from financing government deficits. As a result, the euro area will lend to the IMF’s general resources, not to a special euro crisis fund.

France, the second-largest European Union state using the euro, will supply 31.4 billion euros, the statement said. Italy will deliver 23.5 billion euros and Spain 14.9 billion euros.

The three countries drawing on emergency loans to escape default -- Greece, Ireland and Portugal -- weren’t asked to contribute, the Greek Finance Ministry said. Amounts pledged by four EU countries outside the euro -- the Czech Republic, Denmark, Poland and Sweden -- weren’t immediately disclosed.

Ten days after U.K. Prime Minister David Cameron battled euro leaders over crisis management at a Brussels summit, Britain’s wariness of the IMF program sabotaged the euro region’s goal of drumming up 50 billion euros from the rest of the EU.

U.K. Deferral

“The U.K. has always been willing to consider further resources for the IMF, but for its global role and as part of a global agreement,” the Treasury said in an e-mailed statement.
The success of the IMF strategy hinges on how other major powers react. While talks are under way with China, there is “no chance” that Congress will approve more U.S. money, German Finance Minister Wolfgang Schaeuble said on Deutschlandradio.

“The EU would welcome G-20 members and other financially strong IMF members to support the efforts to safeguard global financial stability by contributing to the increase in IMF resources so as to fill global financing gaps,” Luxembourg Prime Minister Jean-Claude Juncker, who chaired the conference call, said in the statement.

Europe is piecing together a strategy for containing the crisis, which started with the Greek government uncovering an unexpected budget hole in October 2009 and led to 256 billion euros in bailouts for Greece, Ireland and Portugal.

**December Summit**

After “comprehensive” fixes hammered out in July and October quickly fizzled, European leaders were careful not to oversell the latest strategy, unveiled at sunrise Dec. 9 after an all-night wrangle.

The keystone, demanded by German Chancellor Angela Merkel, is a new treaty cementing balanced-budget rules and making it harder for violators to wriggle free from penalties. Negotiations begin today on the text, with the goal of signing the treaty in March.

While no government has been punished for a deficit above the limit of 3 percent of gross domestic product in the euro’s 13-year history, the renewed vow of fiscal probity was designed to encourage action by the independent central bank.

The pledge marked a “breakthrough,” the ECB’s president, Mario Draghi, told a European Parliament committee in Brussels yesterday. “The new fiscal compact is an essential signal, showing a clear trajectory for the future evolution of the euro area.”

**ECB Purchases**

The ECB said it settled 3.36 billion euros of bond purchases in the week ending Dec. 16, up from 635 million euros the week before. The Frankfurt-based ECB’s next crisis-fighting act comes today, when it is expected to flood the banking system with three-year loans.

“I cannot put a figure to it, but I would think that it would be significant,” ECB Vice President Vitor Constancio told Bloomberg Television in Frankfurt. “It’s an important instrument for banks.”

Bonds of Italy and Spain rallied on expectations that the ECB’s unprecedented long-term loans will lead banks to buy more government debt. Two-year yields fell 14 basis points to 5.15 percent in Italy and 11 basis points to 3.35 percent in Spain.

At the same time, Draghi said the central bank’s bond-buying operations won’t go on forever, indicating that countries such as his native Italy can’t count on massive ECB interventions to reduce their borrowing costs.

The ECB will start in January to act as a market agent for the European Financial Stability Facility, the 440 billion-euro government-backed rescue fund set up in May 2010 and due to be replaced by a permanent fund next year.

To contact the reporters on this story: Stephanie Bodoni in Luxembourg at sbodoni@bloomberg.net; James G.
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