Most scholars agree that strong local institutions represent a key ingredient of successful community governance of shared natural resources. There is less consensus about why such institutions emerge in the first place and why they often don’t emerge at all. Why do local users voluntarily assume the substantial costs of self-organized natural resource governance? Forest conservation contributes to climate change mitigation and sustained ecosystem services such as water purification and storage by protecting watersheds. It can also enable poverty alleviation and social well-being of forest users. An increasing proportion of the world’s remaining forests is in the hands of local communities – a fact that highlights the importance of identifying conditions that contribute to successful self-governance of natural forests. This is especially urgent in the parts of the developing world, where self-governance sometimes represent the only viable short–term form of governance since national governments often do not have the human or financial resources to regulate the use of shared resources. Using a lab-in-the-field behavioral experiment that mimics forest resource dynamics, we observed the emergence of rules and norms over time among 16 forest user groups in Bolivia and Uganda. Our preliminary results show that conditions characterized by a combination of (a) saliency, (b) large increase or decrease in resource availability, and (c) leadership motivate the user groups to invest in creating and enforcing institutions. In addition, the emergence of institutions contributed to improved sustainability outcomes – which we measure by considering the simultaneous achievement of forest conservation, sustained income, and low intragroup economic inequality. Most empirical studies on the local governance of common pool resources have focused on the effectiveness of certain institutional arrangements. Far less evidence exists on the questions as to why and how users adopt costly institutions in the first place. Our findings imply that practitioners would benefit from considering the costs of local institutional development to forest users. We end the paper with a discussion of possible ways to incentivize the uptake of these governance institutions among community forests.